



LANGEBERG

MUNISIPALITEIT MUNICIPALITY MASIPALA



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

LANGEBERG MUNICIPALITY

INDEX

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	2
Report from the Chief Financial Officer	3
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes In Net Assets	8
Cash Flow Statement	9
Accounting Policies	10 - 31
Notes to the Financial Statements	32 - 69
 APPENDICES - Unaudited	
A Schedule of External Loans	70
B Segmental Statement of Financial Performance - Municipal Votes	71
C Segmental Statement of Financial Performance	72
D Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA, Act 56 of 2003	73

LANEBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Langeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

Langeberg Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Langeberg Municipality includes the following towns and surrounding rural areas:

*Ashton
Bonnievale
McGregor
Montagu
Robertson*

MUNICIPAL MANAGER

SA Mokweni

CHIEF FINANCIAL OFFICER

CF Hoffman

REGISTERED OFFICE

Langeberg Municipality; 28 Main Road; Ashton; 6715

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA; PO Box 4453; Tygervalley; 7536

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

LANGEBERG MUNICIPALITY

MEMBERS OF THE LANGEBERG MUNICIPALITY

COUNCILLORS

Gagiano, D	Executive Mayor	DA	Proportional
Hull, D A	Speaker	DA	Ward
Klaas, K L	Deputy Mayor	COPE	Proportional
Van Eeden, SW	Member of Mayoral Committee	DA	Ward
Scheffers, EMJ	Member of Mayoral Committee	DA	Ward
Crouwcamp, NP	Member of Mayoral Committee	CI	Proportional
Burger, J D	Ordinary Councillor	DA	Ward
De Koker, T S	Ordinary Councillor	DA	Ward
Janse, D B	Ordinary Councillor	DA	Ward
Kortje, R R	Ordinary Councillor	DA	Ward
Kriel, J	Ordinary Councillor	DA	Ward
Mafilika, S P	Ordinary Councillor	ANC	Ward
Turner, E	Ordinary Councillor	DA	Ward
Van Zyl, J D F	Ordinary Councillor	DA	Ward
Zwedala, E M	Ordinary Councillor	ANC	Ward
Grootboom, C J	Ordinary Councillor	PDM	Proportional
Johnson, R	Ordinary Councillor	ANC	Proportional
Mgoqi, N J	Ordinary Councillor	ANC	Proportional
Mhlambeni, A N	Ordinary Councillor	ANC	Proportional
Nyamana, W S	Ordinary Councillor	ANC	Proportional
September, D J	Ordinary Councillor	CI	Proportional
Swanepoel, J R O	Ordinary Councillor	WCC	Proportional
Vollenhoven, E J	Ordinary Councillor	ANC	Proportional

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 73 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



SA Mokweni
Municipal Manager

31/08/2012
Date

LANEBERG MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012
REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of LANE BERG MUNICIPALITY for the fiscal year 2011/2012

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the other directorates to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Langeberg Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom price increases continue to put strain on good financial management.

Financial Statement Ratios:

INDICATOR	30 June 2012	30 June 2011
Surplus / (Deficit) for the year before Appropriations	15 777 369	15 686 467
Accumulated Surplus / (Deficit) at the end of the Year	381 296 377	410 519 007
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	29.25%	30.68%
Remuneration of Councillors	1.73%	1.59%
Debt Impairment	1.36%	2.46%
Depreciation and Amortisation	5.23%	4.36%
Collection costs	0.26%	0.28%
Impairments	1.02%	0.00%
Repairs and Maintenance	3.22%	3.09%
Actuarial losses	0.83%	0.40%
Unamortised Discount - Interest paid	0.03%	0.04%
Finance Charges	1.90%	2.39%
Bulk Purchases	43.26%	38.67%
Contracted services	0.30%	0.42%
Grants and Subsidies	0.02%	0.00%
Stock Adjustments	0.05%	0.00%
Operating Grant Expenditure	1.89%	5.67%
General Expenses	9.64%	9.56%
Loss on disposal of Property, Plant and Equipment	0.01%	0.38%

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ratio is. It should be noted that the ratio improvement has been achieved despite the massive increases in Eskom charges.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Opening surplus / (deficit)	400 540 045	393 805 541	1.71%	-	-
Operating income for the year (incl. gains in disposal of assets)	386 321 399	346 807 484	11.39%	406 252 908	-4.91%
Appropriations for the year	526 492	(8 951 962)	0.00%	-	-
	787 387 936	731 661 063	7.62%	406 252 908	93.82%
Expenditure:					
Operating expenditure for the year	370 544 030	331 121 017	11.91%	405 569 148	-8.64%
Closing surplus / (deficit)	416 843 907	400 540 045			
	787 387 936	731 661 063	7.62%	405 569 148	94.14%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 38 663 102 , and in percentage terms amounts to 75% of budget. Full details of Property, Plant and Equipment are disclosed in note number 45.3 to the Annual Financial Statements.

The capital expenditure of R 38 663 102 (2011/12) was financed as follows:

DETAILS	Actual 2011/2012 R	Budgeted 2011/2012 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	22 568 485	28 069 073	-24%	58.37%
External Loans				0.00%
Grants and Subsidies	16 094 617	23 670 404	-47%	41.63%
Leased Assets				0.00%
	38 663 102	51 739 477		100.00%

5. LONG-TERM LIABILITIES

	2012 R	2011 R
The outstanding amount of Long-term Liabilities as at 30 June was :	38 533 273	41 667 271

No new loans were taken up during the financial year to enable the municipality to finance its capital requirements.

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Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	46 306 193	39 068 327
Provision for Post Retirement Benefits	36 939 296	30 851 800
Provision for Ex-Gratia Pension Benefits	-	-
Provision for Long Service Awards	5 096 187	4 258 046
Provision for Rehabilitation of Landfill-sites	4 270 710	3 958 481
Provision for Clearing of Alien Vegetation	-	-
	46 306 193	39 068 327

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	6 079 482	5 571 077
Current Employee benefits	Note number 7	11 588 009	11 268 307
Provisions	Note number 8	2 555 348	2 231 348
Payables from exchange transactions	Note number 9	34 080 545	38 325 430
Unspent Conditional Government Grants and Receipts	Note number 10	6 989 484	8 463 004
Unspent Public Contributions		62 849	62 849
Taxes	Note number 12.1	3 730 739	3 549 728
Current Portion of Long-term Liabilities	Note number 3	3 481 454	3 390 561
		68 567 910	72 862 303

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:	614 827	876 532
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These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 15 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:	423 239 975	407 094 292
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Refer to Note number 13 for more detail.

10. INVESTMENTS

The municipality held Investments to the value of ;

Call Investment Accounts

70 000 000

70 000 000

Listed Investment

9 653

7 441

Unlisted Investments

41 896

48 914

70 051 549

70 056 355

Refer to Note number 24 for more detail.

11. LONG-TERM RECEIVABLES

Refer to Note number 18 for more detail.

1 788 816

2 497 727

12. CURRENT ASSETS

Current Assets are made up as follows:

Inventory

Note number 20

9 643 884

10 363 065

Receivables from exchange transactions

Note number 21

28 483 006

13 956 789

Receivables from non-exchange transactions

Note number 22

3 962 306

3 532 652

Unpaid Conditional Government Grants and Receipts

Note number 10

0

3 304 718

Operating Lease Asset

Note number 23

36 919

32 641

Taxes

Note number 12

2 959 433

11 455

Current Portion of Long-term Receivables

Note number 19

2 167 412

1 209 421

Cash and Cash Equivalents

Note number 24

73 915 183

88 069 364

121 168 143

120 480 103

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the upliftment of the poor and in sustaining and improving Infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes number 10 as well as Appendix D for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 51.

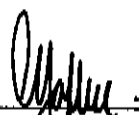
15. DISCLOSURE ISSUES

Please refer to note number 47 to 55.

16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to the staff at all levels and in all departments, for their hard work and dedication.



Mr C F Hoffman
CHIEF FINANCIAL OFFICER
31 August 2012

LANGEBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2 012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		426 296 377	410 519 007
Capital Replacement Reserve	2	45 000 000	45 526 492
Accumulated Surplus/(Deficit)		381 296 377	364 992 515
Non-Current Liabilities		80 477 631	76 395 221
Long-term Liabilities	3	34 171 439	37 326 894
Employee benefits	4	42 035 483	35 109 846
Non-Current Provisions	5	4 270 710	3 958 481
Current Liabilities		68 567 910	72 862 303
Consumer Deposits	6	6 079 482	5 571 077
Current Employee benefits	7	11 588 009	11 268 307
Provisions	8	2 555 348	2 231 348
Payables from exchange transactions	9	34 080 545	38 325 430
Unspent Conditional Government Grants and Receipts	10	6 989 484	8 463 004
Unspent Public Contributions	11	62 849	62 849
Taxes	12.1	3 730 739	3 549 728
Current Portion of Long-term Liabilities	3	3 481 454	3 390 561
Total Net Assets and Liabilities		575 341 918	559 776 532
ASSETS			
Non-Current Assets		452 709 435	438 168 089
Property, Plant and Equipment	13	423 239 975	407 094 292
Investment Property	14	27 014 467	27 347 336
Intangible Assets	15	614 827	876 532
Capitalised Restoration cost	16	0	295 847
Non-Current Investments	17	51 549	56 355
Long-Term Receivables	18	1 788 616	2 497 727
Non-Current Assets held for sale	19	1 464 340	1 128 340
Current Assets		121 168 143	120 480 103
Inventory	20	9 643 884	10 363 065
Receivables from exchange transactions	21	28 483 006	13 956 789
Receivables from non-exchange transactions	22	3 962 306	3 532 652
Unpaid Conditional Government Grants and Receipts	10	0	3 304 716
Operating Lease Asset	23	36 919	32 641
Taxes	12	2 959 433	11 455
Current Portion of Long-term Receivables	18	2 167 412	1 209 421
Cash and Cash Equivalents	24	73 915 183	88 069 364
Total Assets		575 341 918	559 776 532

LANGEBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011	2011	2011
	Notes	Actual	Restated	Correction of Error Refer Note 39	Previously reported
		R	R	R	R
REVENUE					
Revenue from Non-exchange Transactions		105 889 939	107 637 183	(2 304 747)	109 941 930
Taxation Revenue		27 949 649	23 826 569	-	23 826 569
Property rates	25	27 949 649	23 826 569	-	23 826 569
Transfer Revenue		76 105 029	81 420 886	(2 304 747)	83 725 633
Government Grants and Subsidies - Capital	26	16 274 360	17 256 275	(1 450 209)	18 706 484
Government Grants and Subsidies - Operating	26	59 710 669	63 750 871	(854 538)	64 605 409
Public Contributions and Donations		120 000	413 740	-	413 740
Other Revenue		1 835 260	2 389 729	-	2 389 729
Gain on Foreign Exchange transaction		-	4 523	-	4 523
Fines		1 835 260	2 385 206	-	2 385 206
Revenue from Exchange Transactions		280 431 460	239 170 301	(773)	239 171 074
Service Charges	27	253 122 168	217 749 166	-	217 749 166
Rental of Facilities and Equipment		1 658 546	1 569 340	350	1 568 990
Interest Earned - external investments		5 042 189	4 866 923	-	4 866 923
Interest Earned - outstanding debtors		1 513 318	1 332 092	-	1 332 092
Licences and Permits		1 261 437	1 111 859	-	1 111 859
Agency Services		1 814 479	1 562 916	-	1 562 916
Other Income	28	15 966 666	10 764 294	(1 123)	10 765 417
Unamortised Discount - Interest		52 658	45 057	-	45 057
Gain on disposal of Property, Plant and Equipment		-	168 655	-	168 655
Total Revenue		386 321 399	346 807 484	(2 305 521)	349 113 005
EXPENDITURE					
Employee related costs	29	108 382 119	101 598 452	-	101 598 452
Remuneration of Councillors	30	6 420 162	5 263 028	-	5 263 028
Debt Impairment	31	5 023 155	8 138 883	3 164 238	4 974 645
Depreciation and Amortisation	32	19 381 380	14 451 960	-	14 451 960
Collection costs		959 455	916 446	-	916 446
Impairments		3 770 043	-	-	-
Repairs and Maintenance		11 920 235	10 240 030	(303 391)	10 543 421
Actuarial losses	4	3 069 592	1 336 500	-	1 336 500
Unamortised Discount - Interest paid		122 093	126 286	-	126 286
Finance Charges	34	7 056 410	7 919 836	(343)	7 920 178
Bulk Purchases	35	160 291 452	128 060 590	-	128 060 590
Contracted services		1 105 252	1 379 492	-	1 379 492
Grants and Subsidies	36	73 500	-	-	-
Stock Adjustments		184 451	-	-	-
Operating Grant Expenditure		6 997 889	18 774 331	-	18 774 331
General Expenses	37	35 732 422	31 642 086	209 775	31 432 311
Loss on disposal of Property, Plant and Equipment		49 613	1 266 504	-	1 266 504
Fair Value Adjustments		4 807	6 593	6 593	-
Total Expenditure		370 544 030	331 121 017	3 076 872	328 044 145
NET SURPLUS/(DEFICIT) FOR THE YEAR		15 777 369	15 686 467	(5 382 393)	21 068 860

LANGEBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
	R	R	R
Balance at 01 JULY 2010	36 340 353	357 796 210	394 136 563
Correction of error on CRR (Refer Note 39)	(792 823)	792 823	-
Correction of error (Refer Note 39)		(331 022)	(331 022)
Restated balance at 01 JULY 2010	35 547 530	358 258 011	393 805 541
Net Surplus for the year	-	15 686 467	15 686 467
Transfer to/from CRR	36 192 214	(36 192 214)	-
Property, Plant and Equipment purchased	(43 324 632)	43 324 632	-
Correction of error (Refer Note 39)		1 027 000	1 027 000
Correction of error on CRR (Refer Note 39)	17 111 380	(17 111 380)	-
Balance at 30 JUNE 2011	45 526 492	364 992 515	410 519 007
Net Surplus for the year		15 777 369	15 777 369
Transfer to/from CRR	22 041 993	(22 041 993)	-
Property, Plant and Equipment purchased	(22 568 485)	22 568 485	-
Balance at 30 JUNE 2012	45 000 000	381 296 377	426 296 377

LANGEBERG MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

		30 JUNE 2012	30 JUNE 2011
	Notes		R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		288 144 287	264 158 372
Government - operating		59 710 669	63 750 871
Government - capital		16 274 360	17 256 275
Interest		6 555 507	6 199 015
Payments			
Suppliers and employees		(337 272 075)	(285 747 896)
Finance charges	34	(7 056 410)	(7 919 836)
Transfers and Grants			-
Cash generated by operations	41	<u>26 356 339</u>	<u>57 696 801</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(38 183 809)	(42 327 937)
Proceeds on Disposals		70 856	215 898
Purchase of Intangible Assets	15	(479 293)	(499 214)
Decrease/(Increase) in Long-term Receivables	18	673 165	(1 705 671)
Decrease/(Increase) in Non-current Investments	17	4 807	6 593
Net Cash from Investing Activities		<u>(37 914 274)</u>	<u>(44 310 331)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(3 104 650)	(3 228 264)
New loans raised		-	-
(Decrease)/Increase in Consumer Deposits		508 405	628 867
Net Cash from Financing Activities		<u>(2 596 245)</u>	<u>(2 599 397)</u>
NET (INCREASE) /DECREASE IN CASH AND CASH EQUIVALENTS		<u>(14 154 181)</u>	<u>10 787 073</u>
Cash and Cash Equivalents at the beginning of the year		88 069 364	77 282 291
Cash and Cash Equivalents at the end of the year	42	73 915 183	88 069 364
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(14 154 181)</u>	<u>10 787 073</u>

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1*	Presentation of Financial Statements
GRAP 2*	Cash Flow Statements
GRAP 3*	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4*	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9*	Revenue from Exchange Transactions
GRAP 10*	Financial Reporting in Hyperinflationary Economics
GRAP 11*	Construction Contracts
GRAP 12*	Inventories
GRAP 13*	Leases
GRAP 14*	Events after the Reporting Date
GRAP 16*	Investment Property
GRAP 17*	Property, Plant and Equipment
GRAP 19*	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash-Generating Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 26	Impairment of Cash-Generating Assets
GRAP 100*	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
GRAP 104	Financial Instruments

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

*The Municipality resolved to early adopt the revised GRAP standards which have been issued but are not effective yet.

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

As noted below, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances.

The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	Heritage Assets No adjustments will be necessary as the Municipality has no heritage assets.	1 April 2012
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.8.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	1-100	Buildings	1-100
Pedestrian Malls	1-100	Specialist vehicles	10-20
Electricity	1-80	Other vehicles	4-45
Water	1-125	Furniture and Office equipment	1-100
Sewerage	1-100	Plant and Equipment	1-40
Housing	1-105	Landfill sites	15
		Quarries	25
		Computer equipment	2-20
<u>Community</u>			
Buildings	1-105		
Recreational Facilities	7-100		
Security	5		
Halls	1-105		
Libraries	1-100		
Parks and gardens	1-100		
Other assets	7-100		
<u>Finance lease assets</u>			
Office equipment	2-22		
Other assets	2-22		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.14.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.14.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives

LANEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-7
Computer Software Licenses	2-7

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property shall be recognised as an asset when; and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	1-100

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.17.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

LANEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *Depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *Restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *Service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.2 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.3 Trade and Other Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.3 **De-recognition of Financial Instruments**

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

LANEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Trade and Other Payables in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

LANGEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of

LANEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2	NET ASSET RESERVES	2012 R	2011 R
	Capital Replacement Reserve	45 000 000	45 526 492
	Total Net Asset Reserves	45 000 000	45 526 492
	Balance previously reported		29 207 935
	Change in accounting policy reserves no longer in policy - Refer to note 39.1		16 318 557
			45 526 492
3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	38 520 985	41 590 832
	Capitalised Lease Liability - At amortised cost	12 288	76 440
		38 533 273	41 667 271
	Current Portion transferred to Current Liabilities	3 481 454	3 390 561
	Annuity Loans - At amortised cost	3 469 166	3 326 410
	Capitalised Lease Liability - At amortised cost	12 288	64 151
		35 051 819	38 276 710
	Unamortised charges on loans	(880 380)	(949 816)
	Balance 1 July	949 816	1 031 045
	Adjustment for the period	(69 436)	(81 229)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	34 171 439	37 326 894
	Balance previously reported (Note 3 and 4)		37 327 237
	Correction of error on loan balances - Refer to note 39.1		343
			37 327 579
	Refer below for maturity dates of long term liabilities		
	The obligations under annuity loans are scheduled below:		Minimum annuity payments
	Amounts payable under annuity loans:		
	Payable within one year	7 041 835	6 980 545
	Payable within two to five years	24 771 975	25 972 874
	Payable after five years	28 717 232	34 772 135
		60 531 042	67 725 555
	Less: Future finance obligations	(22 010 057)	(26 134 723)
	Present value of annuity obligations	38 520 985	41 590 832
	Annuity loans at amortised cost is calculated at 9.29% interest rate, with a maturity date of 31 March 2027.		
	The obligations under finance leases are scheduled below:		Minimum lease payments
	Amounts payable under finance leases:		
	Payable within one year	32 061	67 442
	Payable within two to five years	25 870	12 860
	Payable after five years	-	-
		57 931	80 302
	Less: Future finance obligations	(45 643)	(3 862)
	Present value of lease obligations	12 288	76 440

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Leases are secured by property, plant and equipment - Note 13

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
Minolco	Minolta B211 - 4107719	18%	0%	36 months	2011/08/31
Minolco	Minolta B350 - 21216750	7%	0%	36 months	2011/08/31
Minolco	Minolta B350 - 21216757	7%	0%	36 months	2011/08/31
Minolco	Minolta B350 - 21216775	7%	0%	36 months	2011/08/31
Minolco	Minolta B350 - 21216779	7%	0%	36 months	2011/09/30
Minolco	Minolta B350 - 21216816	9%	0%	36 months	2011/08/31
Minolco	Minolta B350 - 21219171	9%	0%	36 months	2012/01/31
Minolco	Minolta B920 - 57GL00831	16%	0%	36 months	2011/08/31
Minolco	MINOLTA C253 - E041003232	25%	0%	36 months	2011/10/31
Nashua Western Cape	MP171SPFCHN-V4499204844	10%	0%	36 months	2013/02/28
Nashua Western Cape	MP171SPFCHN-V4499204836	10%	0%	36 months	2013/02/28
Nashua Western Cape	MP1600SPFRA-L6806360527	10%	0%	36 months	2013/06/30

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Assets pledged as security:

A bond is registered on the Town Hall of Ashton in favour of the Development Bank of South Africa as security for the following loans:

- Extension - Municipal Offices
- Vehicle Testing Station
- Paving
- Electrification - Industrial Area

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4	EMPLOYEE BENEFITS	2012 R	2011 R
	Post Retirement Benefits - Refer to Note 4.1	36 939 296	30 851 800
	Long Service Awards - Refer to Note 4.2	5 096 187	4 258 046
	Total Non-current Employee Benefit Liabilities	42 035 483	35 109 846
	<u>Post Retirement Benefits</u>	<u>2012 R</u>	<u>2011 R</u>
	Balance 1 July	31 814 008	28 165 670
	Contribution for the year	1 792 516	1 412 903
	Interest Cost	2 719 881	2 554 745
	Expenditure for the year	(918 132)	(939 241)
	Actuarial Loss	2 685 627	619 931
	Total post retirement benefits 30 June	38 093 900	31 814 008
	Less: Transfer of Current Portion - Note 7	(1 154 604)	(962 208)
	Balance 30 June	36 939 296	30 851 800
	<u>Long Service Awards</u>		
	Balance 1 July	4 853 520	4 016 492
	Contribution for the year	617 827	495 974
	Interest Cost	354 111	342 126
	Expenditure for the year	(701 206)	(717 641)
	Actuarial Loss	383 965	716 569
	Total long service 30 June	5 508 217	4 853 520
	Less: Transfer of Current Portion - Note 7	(412 030)	(595 474)
	Balance 30 June	5 096 187	4 258 046
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	36 667 528	32 182 162
	Contribution for the year	2 410 343	1 908 877
	Interest cost	3 073 992	2 896 871
	Expenditure for the year	(1 619 338)	(1 656 882)
	Actuarial Loss	3 069 592	1 336 500
	Total employee benefits 30 June	43 602 117	36 667 528
	Less: Transfer of Current Portion - Note 7	(1 566 634)	(1 557 682)
	Balance 30 June	42 035 483	35 109 846

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	176	171
In-service (employee) non-members	497	483
Continuation members (e.g. Retirees, widows, orphans)	47	43
Total Members	720	697

The liability in respect of past service has been estimated to be as follows

In-service members	21 696 401	18 509 610
Continuation members	16 397 499	13 304 398
Total Liability	38 093 900	31 814 008

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
In-service members	15 153 335	12 079 972	11 288 336
Continuation members	13 012 335	11 823 388	11 048 567
Total Liability	28 165 670	23 903 360	22 336 903

4 EMPLOYEE BENEFITS (CONTINUE)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed
LA Health
Samwumed; and
Key health.

	2012 %	2011 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7.93%	8.68%
Health Care Cost Inflation Rate	6.94%	7.32%
Net Effective Discount Rate	0.93%	1.26%

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	38 093 900	31 814 008
Net liability/(asset)	38 093 900	31 814 008

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	31 814 008	28 165 670
Total expenses	3 594 265	3 028 407
Current service cost	1 792 516	1 412 903
Interest Cost	2 719 881	2 554 745
Benefits Paid	(918 132)	(939 241)
Actuarial losses	2 685 627	619 931
Present value of fund obligation at the end of the year	38 093 900	31 814 008
Less: Transfer of Current Portion - Note 7	(1 154 604)	(962 208)
Balance 30 June	36 939 296	30 851 800

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	21.696	16.397	38.093	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	26.193	18.148	44.341	16%
Health care inflation	-1%	18.145	14.874	33.019	-13%
Post-retirement mortality	-1 year	22.416	17.074	39.490	4%
Average retirement age	-1 year	23.507	16.397	39.904	5%
Withdrawal Rate	-50%	23.808	16.397	40.205	6%

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUE)

2012

2011

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

673

654

Key actuarial assumptions used:

2012
%

2011
%

i) Rate of interest

Discount rate

6.49%

7.76%

General Salary Inflation (long-term)

5.97%

6.27%

Net Effective Discount Rate applied to salary-related Long Service Bonuses

0.49%

1.41%

2012
R

2011
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

5 508 217

4 853 520

Net liability

5 508 217

4 853 520

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

2010
R

2009
R

2008
R

Total Liability

4 016 492

3 633 984

3 443 004

Reconciliation of present value of fund obligation:

2012
R

2011
R

Present value of fund obligation at the beginning of the year

4 853 520

4 016 492

Total expenses

270 732

120 459

Current service cost

617 827

495 974

Interest Cost

354 111

342 126

Benefits Paid

(701 206)

(717 641)

Actuarial (gains)/losses

383 965

716 569

Present value of fund obligation at the end of the year

5 508 217

4 853 520

Less: Transfer of Current Portion - Note 7

(412 030)

(595 474)

Balance 30 June

5 096 187

4 258 046

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption

Change

Liability
(R)

% change

Central assumptions

5 508.22

4 854

General salary inflation

1.00%

5 913

7%

General salary inflation

-1.00%

5 143

-7%

Average retirement age

-2 yrs

4 685

-15%

Average retirement age

+2 yrs

6 397

16%

Withdrawal rates

-50.00%

6 720

22%

4 EMPLOYEE BENEFITS (CONTINUE)

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.3'

<u>CAPE JOINT PENSION FUND</u>	Last Actuarial Valuation	Total Assets R'000	Total liabilities R'000	Contributing members
The contribution rate payable is 9% by members and 18% by Council.	June 2011	2 971 150	3 030 085	2

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

Contributions paid recognised in the Statement of Financial Performance	103 369	81 402
Balance previously reported (Note 4)		68 219
Presentation correction		13 183
		81 402

<u>CAPE RETIREMENT FUND</u>	Last Actuarial Valuation	Total Assets R'000	Total liabilities R'000	Contributing members
The contribution rate payable is 9% by members and 18% by Council.	June 2011	9 330 837	9 303 159	521

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

Contributions paid recognised in the Statement of Financial Performance	14 670 077	10 957 286
Balance previously reported (Note 4)		7 468 766
Presentation correction		3 488 519
		10 957 286

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	Last Actuarial Valuation	Total Assets R'000	Total liabilities R'000	Contributing members
<u>South African Local Authorities Pension Fund</u>	July 2010	7 110 300	7 417 900	34
<u>Municipal Councillors Pension Fund</u>	June 2006	1 731 055	1 731 055	-
<u>SAMWU National Provident Fund</u>	June 2007	2 764 426	2 764 426	123

Note: The results of the actuarial valuations dated 30 June 2008 for SAMWU National Provident Fund and 30 June 2009 for Municipal Councillors Pension Funds are not yet available.

Contributions paid recognised in the Statement of Financial Performance		
Sala Pension Fund	1 034 388	983 368
Municipal Councillors Pension Fund	5 575	588 367
SAMWU National Provident Fund	2 595 532	2 387 793
	3 635 496	3 959 527
Balance previously reported (Note 4)		2 730 247
Presentation correction		1 229 280
		3 959 527

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5	NON-CURRENT PROVISIONS	2012 R	2011 R
	Provision for Rehabilitation of Landfill-sites	4 270 710	3 958 481
	Total Non-current Provisions	4 270 710	3 958 481

The Municipality operate on four landfill sites. The in year actual operational costs is expensed in the statement of financial position. The provision is calculated in order to finance the rehabilitation cost of each site when it reaches 100% capacity. The expected cash flow outflow, within one year, is related to the McGregor site, which reached 100% capacity and the cost is represented by the short-term portion of the non-current provision. The other landfill sites in operation are Montagu, Bonnievale and Ashton

<u>Landfill Sites</u>	2012 R	2011 R
Balance 1 July	4 441 096	3 954 428
Contribution for the year	200 054	331 776
Expenditure incurred (Interest)	162 021	154 891
Total provision 30 June	4 803 171	4 441 096
Less: Transfer of Current Portion to Current Provisions - Note 6	(532 461)	(482 615)
Balance 30 June	4 270 710	3 958 481

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Montagu	Bonnievale	McGregor	Ashton
Area (m²)	11 333	9 100	7 639	43 840
Rehabilitation volume (m³)	10 540	6 643	7 639	40 562
Fence (m)				
Total Cost	877 061	691 054	495 313	2 990 326

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>
		2012 R
Montagu	2012	852 657
Bonnievale	2014	509 463
McGregor	2012	532 461
Ashton	2012	2 908 590

6	CONSUMER DEPOSITS		
	Municipal services	6 079 482	5 571 077
	Total Consumer Deposits	6 079 482	5 571 077
	Guarantees held in lieu of Electricity and Water Deposits	2 313 674	2 363 301

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 4	1 154 604	962 208
	Current Portion of Long-Service Provisions - Note 4	412 030	595 474
	Staff Leave	6 674 356	6 361 801
	Performance Bonuses	681 796	642 719
	Bonuses	2 665 223	2 706 104
	TASK Evaluation	-	-
	Total Current Employee Benefits	11 588 009	11 268 307

The movement in current employee benefits is reconciled as follows:

<u>Staff Leave</u>		
Balance at beginning of year	6 361 801	6 027 149
Contribution to current portion	2 138 710	726 390
Expenditure incurred	(1 826 155)	(391 738)
Balance at end of year	6 674 356	6 361 801

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

<u>Performance Bonuses</u>		
Balance at beginning of year	642 719	423 197
Contribution to current portion	574 152	811 997
Expenditure incurred	(535 075)	(592 476)
Balance at end of year	681 796	642 719

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7	CURRENT EMPLOYEE BENEFITS (CONTINUE)	2012 R	2011 R
	<u>Bonuses</u>		
	Balance at beginning of year	2 706 104	2 606 917
	Contribution to current portion	5 307 500	5 935 106
	Expenditure incurred	(5 348 381)	(5 835 919)
	Balance at end of year	2 665 223	2 706 104

Bonuses are being paid to all permanent employed municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

TASK Evaluation

Balance at beginning of year	0	889 778
Contribution to current portion	-	-
Expenditure incurred	-	(889 778)
Balance at end of year	0	0

All eligible employees (excluding Municipal Manager, Section 57 Managers and contractual employees) have received remuneration based on the results of their job evaluation as per the TASK job evaluation system in terms of clause 7.2.6 of the collective agreement.

8	PROVISIONS		
	SALA Pension Fund	1 470 110	1 243 363
	Cape Joint Pension Fund	552 777	505 370
	Current Portion of Rehabilitation of Landfill-sites - Note 3	532 461	482 615
	Total Provisions	2 555 348	2 231 348

SALA Pension Fund

Balance at beginning of year	1 243 363	956 670
Expenditure incurred (Interest)	226 747	286 693
Balance at end of year	1 470 110	1 243 363

Cape Joint Pension Fund

Balance at beginning of year	505 370	468 952
Expenditure incurred (Interest)	47 407	36 418
Balance at end of year	552 777	505 370

9	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade Payables	28 256 086	32 292 294
	Payments received in advance	3 044 723	3 220 474
	Retentions and Guarantees	534 524	716 310
	Sundry Deposits	2 203 439	1 846 583
	Sundry Creditors	41 773	249 769
	Total Trade Payables	34 080 545	38 325 430
	Balance previously reported (Note 9)		37 868 490
	Correction of error on loan balances - Refer to note 39.3		456 940
			38 325 430

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value

Sundry deposits include hall, builders and other general deposits.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2012 R	2011 R
	Unspent Grants	6 989 484	8 463 004
	National Government Grants	1 720 321	3 006 028
	Provincial Government Grants	4 249 106	4 436 918
	District Municipality	1 020 058	1 020 058
	Less: Unpaid Grants	0	3 304 716
	National Government Grants	0	1 804 716
	Provincial Government Grants	0	1 500 000
	District Municipality	-	-
	Total Conditional Grants and Receipts	6 989 484	5 158 288
	Reconciliation of total grants and receipts		
	Balance previously reported		2 012 717
	Correction of error - Refer to note 39.8		3 145 570
			5 158 288
	See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
	Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. Application was sent to National Treasury that the unspent grant at 30 June 2012 be taken up in the first adjustments budget of 2012/2013 financial year.		
11	UNSPENT PUBLIC CONTRIBUTIONS		
	Silwer Strand Home Owners Association	62 849	62 849
	Total Unspent Public Contributions	62 849	62 849
	Reconciliation of public contributions		
	<u>Silwer Strand Home Owners Association</u>		
	Opening balance	62 849	235 526
	Contributions received	-	-
	Conditions met - Transferred to revenue	-	(172 677)
	Closing balance	62 849	62 849
	The Silwer Strand Home Owners Association had to make a contribution for the construction of infrastructure. The project is not yet complete.		
12	TAXES		
12.1	VAT PAYABLE		
	VAT Payable	965 755	1 462 628
	VAT output in suspense	5 747 575	4 809 965
	Less: Impairment of VAT receivables	(2 982 591)	(2 722 865)
	Total Vat payable	3 730 739	3 549 728
12.2	VAT RECEIVABLE		
	VAT input in suspense	2 959 433	11 455
	Total VAT receivable	2 959 433	11 455
12.3	NET VAT RECEIVABLE/(PAYABLE)	(771 305)	(3 538 272)
	VAT is receivable/payable on the cash basis.		
	Balance previously reported		3 903 591
	Change in accounting policy - Refer to note 38.1		(353 864)
			3 549 728

13 PROPERTY, PLANT AND EQUIPMENT

13.1 30 JUNE 2012

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance Original Cost	Opening Balance Residual Values	Additions Original Cost	Additions Residual Values	Disposals / Transfer Original Cost	Disposals / Transfer Residual Values	Closing Balance Cost	Opening Balance	Additions	Disposals / Transfer	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	82 872 084	-	5 134 139	-	50 000	-	87 956 223	5 567 393	1 013 186	-	6 580 579	81 375 644
Land	52 784 077	-	-	-	50 000	-	52 734 077	-	-	-	-	52 734 077
Buildings	30 088 007	-	5 134 139	-	-	-	35 222 146	5 567 393	1 013 186	-	6 580 579	28 641 567
Infrastructure	324 996 746	-	22 660 386	-	3 232 170	-	344 424 961	73 505 820	9 595 622	66 657	83 034 786	261 390 176
Electricity	92 281 672	-	2 777 270	-	-	-	95 058 942	23 935 992	3 004 934	-	26 940 926	68 118 016
Housing	6 695 351	-	658 500	-	14 000	-	7 339 851	653 911	120 358	-	774 268	6 565 582
Roads	95 594 522	-	6 482 087	-	-	-	102 076 609	22 855 258	3 098 816	-	25 954 074	76 122 535
Sewerage	36 250 777	-	282 992	-	3 218 170	-	33 315 599	9 355 297	966 976	66 657	10 255 617	23 059 982
Waste Management	16 309 623	-	3 749 719	-	-	-	20 059 342	2 410 465	420 792	-	2 831 257	17 228 084
Water	75 147 396	-	1 832 736	-	-	-	76 980 132	14 294 897	1 983 746	-	16 278 643	60 701 489
Work in Progress	2 717 405	-	6 877 082	-	-	-	9 594 487	-	-	-	-	9 594 487
Community Assets	61 203 344	-	2 689 176	-	5 000	-	63 887 520	10 427 255	1 753 337	-	12 180 592	51 706 928
Airfield	154 684	-	98 036	-	-	-	252 720	11 390	8 530	-	19 920	232 800
Cemeteries	1 773 175	-	147 925	-	-	-	1 921 100	448 259	173 821	-	622 080	1 299 020
Clinics	5 593 337	-	-	-	-	-	5 593 337	789 671	55 183	-	844 854	4 748 483
Community halls	11 533 927	-	-	-	-	-	11 533 927	1 384 859	198 852	-	1 583 711	9 950 216
Fire, safety & emergency	761 145	-	-	-	-	-	761 145	155 233	37 219	-	192 452	568 692
Libraries	3 835 495	-	-	-	-	-	3 835 495	1 783 004	159 208	-	1 942 212	1 893 283
Museums & Art Galleries	1 551 136	-	4 105	-	-	-	1 555 241	155 622	15 858	-	171 480	1 383 761
Other	1 018 417	-	-	-	-	-	1 018 417	129 225	29 611	-	158 836	859 581
Parks & Gardens	11 486 659	-	185 886	-	5 000	-	11 667 545	1 014 547	232 232	-	1 246 779	10 420 766
Recreation facilities	1 993 311	-	-	-	-	-	1 993 311	1 017 408	90 233	-	1 107 641	885 670
Sport fields & stadia	13 673 021	-	2 001 002	-	-	-	15 674 023	2 459 399	631 281	-	3 090 680	12 583 343
Swimming pools	3 329 040	-	252 221	-	-	-	3 581 261	1 078 637	121 311	-	1 199 948	2 381 313
Work in Progress	4 500 000	-	-	-	-	-	4 500 000	-	-	-	-	4 500 000
Leased Assets	1 042 531	-	-	-	-	-	1 042 531	457 929	125 155	-	583 085	459 446
Office Equipment (Lease)	1 042 531	-	-	-	-	-	1 042 531	457 929	125 155	-	583 085	459 446
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	39 291 635	5 549 994	7 700 108	-	1 432 660	-	51 109 078	18 084 045	5 606 312	889 061	22 801 296	28 307 782
Computer hardware/equipment	4 814 368	-	1 687 007	-	215 662	-	6 285 713	2 513 336	882 101	143 958	3 251 479	3 034 234
Furniture & office equipment	3 533 703	-	2 382 327	-	25 875	-	5 890 155	1 361 781	526 678	18 583	1 869 876	4 020 279
General Vehicles	14 379 539	3 447 818	1 399 206	-	724 215	-	18 502 348	7 054 515	1 790 993	465 079	8 380 428	10 121 920
Other	923 041	66 424	12 631	-	210 781	-	791 316	325 891	72 704	33 416	365 178	426 137
Other Buildings	1 029 864	-	109 518	-	-	-	1 139 382	286 658	92 874	-	379 532	759 849
Specialised Vehicles	4 104 980	976 050	-	-	20 000	-	5 061 031	1 281 402	420 211	17 504	1 684 109	3 376 921
Plant & Equipment	10 506 141	1 059 701	2 109 419	-	236 127	-	13 439 134	5 260 461	1 820 752	210 521	6 870 692	6 568 441
	509 406 340	5 549 994	38 183 809	-	4 719 830	-	548 420 313	108 042 442	18 093 614	955 717	125 180 338	423 239 975

13 PROPERTY, PLANT AND EQUIPMENT

13 30 JUNE 2011

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance Original Cost	Opening Balance Residual Values	Additions Original Cost	Additions Residual Values	Disposals / Transfer Original Cost	Disposals / Transfer Residual Values	Closing Balance Cost	Opening Balance	Additions	Disposals / Transfer	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	83 699 699	-	3 116 385	-	3 944 000	-	82 872 084	6 198 727	699 461	1 330 795	5 567 393	77 304 691
Land	52 201 077	-	1 027 000	-	444 000	-	52 784 077	-	-	-	-	52 784 077
Buildings	31 498 621	-	2 089 385	-	3 500 000	-	30 088 007	6 198 727	699 461	1 330 795	5 567 393	24 520 614
Infrastructure	299 888 945	-	30 631 100	-	5 523 300	-	324 996 746	70 411 707	7 341 631	4 427 917	73 325 421	251 671 325
Electricity	82 586 549	-	9 695 123	-	-	-	92 281 672	22 263 962	1 672 030	-	23 935 992	68 345 680
Housing	12 217 551	-	-	-	5 522 200	-	6 695 351	4 834 343	246 454	4 426 886	653 911	6 041 440
Roads	88 834 558	-	6 759 964	-	-	-	95 594 522	20 125 712	2 729 546	-	22 855 258	72 739 264
Sewerage	35 675 406	-	575 371	-	-	-	36 250 777	8 463 807	891 490	-	9 355 297	26 895 480
Waste Management	15 423 454	-	886 168	-	-	-	16 309 623	1 866 480	363 586	-	2 230 066	14 079 557
Water	63 423 283	-	11 725 213	-	1 100	-	75 147 396	12 857 404	1 438 524	1 031	14 294 897	60 852 499
Work in Progress	1 728 144	-	989 261	-	-	-	2 717 405	-	-	-	2 717 405	-
Community Assets	55 944 778	-	7 309 472	-	2 050 905	-	61 203 344	9 503 139	1 241 541	317 424	10 427 255	50 776 089
Airfield	136 769	-	17 915	-	-	-	154 684	6 675	4 715	-	11 390	143 294
Cemeteries	1 420 268	-	352 907	-	-	-	1 773 175	362 073	86 186	-	448 259	1 324 916
Clinics	5 859 337	-	-	-	266 000	-	5 593 337	873 047	59 634	143 011	789 671	4 803 666
Community halls	11 122 995	-	410 931	-	-	-	11 533 927	1 264 447	120 412	-	1 384 859	10 149 068
Fire, safety & emergency	761 145	-	-	-	-	-	761 145	117 828	37 406	-	155 233	605 911
Libraries	3 755 080	-	80 414	-	-	-	3 835 495	1 632 733	150 271	-	1 783 004	2 052 490
Museums & Art Galleries	1 850 136	-	-	-	299 000	-	1 551 136	172 238	18 789	35 404	155 622	1 395 513
Other	2 364 323	-	-	-	1 345 905	-	1 018 417	225 491	42 744	139 010	129 225	889 192
Parks & Gardens	11 372 956	-	253 702	-	140 000	-	11 486 659	815 968	198 578	-	1 014 547	10 472 112
Recreation facilities	1 846 949	-	146 362	-	-	-	1 993 311	938 803	78 605	-	1 017 408	975 903
Sport fields & stadia	12 132 761	-	1 540 260	-	-	-	13 673 021	2 127 563	331 836	-	2 459 399	11 213 622
Swimming pools	3 322 059	-	6 981	-	-	-	3 329 040	966 272	112 366	-	1 078 637	2 250 402
Work in Progress	-	-	4 500 000	-	-	-	4 500 000	-	-	-	-	4 500 000
Leased Assets	1 042 531	-	-	-	-	-	1 042 531	320 774	137 156	-	457 929	584 601
Office Equipment (Lease)	1 042 531	-	-	-	-	-	1 042 531	320 774	137 156	-	457 929	584 601
Heritage Assets	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	37 856 108	5 549 994	2 296 364	3 521	851 822	12 535	44 841 629	14 982 895	3 891 997	790 848	18 084 045	26 757 585
Computer hardware/equipment	4 621 422	-	511 608	-	318 663	-	4 814 368	2 100 218	707 206	294 088	2 513 336	2 301 032
Furniture & office equipment	3 135 864	-	432 672	-	34 833	-	3 533 703	983 138	410 037	31 395	1 361 781	2 171 922
General Vehicles	14 588 219	3 447 818	-	-	196 145	12 535	17 827 357	6 097 262	1 139 266	182 014	7 054 515	10 772 843
Other	913 620	66 424	5 900	3 521	-	-	989 465	258 956	66 934	-	325 891	663 574
Other Buildings	861 000	-	168 864	-	-	-	1 029 864	241 113	45 545	-	286 658	743 205
Specialised Vehicles	4 104 980	976 050	-	-	-	-	5 081 031	974 880	306 522	-	1 281 402	3 799 629
Plant & Equipment	9 631 003	1 059 701	1 177 320	-	302 182	-	11 565 842	4 327 327	1 216 486	283 352	5 260 461	6 305 380
	478 432 060	5 549 994	43 353 321	3 521	12 370 028	12 535	514 956 334	101 417 241	13 311 785	6 866 984	107 862 043	407 094 292

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

Balance previously reported	405 949 468
Correction of error - Refer to note 39.4	1 144 823
	<u><u>407 094 292</u></u>

Assets pledged as security:

A bond is registered on the Town Hall of Ashton in favour of the Development Bank of South Africa as security for the following loans:

- Extension - Municipal Offices
- Vehicle Testing Station
- Paving
- Electrification - Industrial Area

Impairments were identified during the reporting period. Refer to Note 33.

14 INVESTMENT PROPERTY

	2012 R	2011 R
Net Carrying amount at 1 July	27 347 336	24 013 674
Cost	28 880 905	24 102 000
Under Construction	-	-
Accumulated Depreciation	(1 533 569)	(88 326)
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	(1 000)	-
Depreciation for the year	(50 869)	(5 829)
Impairment	-	-
Transfers to Inventory - cost	-	(662 000)
Transfers to Inventory - accumulated depreciation	-	46 660
Transfers Assets Held for Sale	(281 000)	-
Transfers from Property, Plant and equipment - cost	-	5 440 905
Transfers from Property, Plant and equipment - accumulated depreciation	-	(1 486 074)
Net Carrying amount at 30 June	27 014 467	27 347 336
Cost	28 598 905	28 880 905
Accumulated Depreciation	(1 584 438)	(1 533 569)
Accumulated Impairment	-	-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	577 493	816 092
Operating expenditure incurred on properties	3 460 880	3 642 438

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15	INTANGIBLE ASSETS	2012 R	2011 R
	Computer Software		
	Net Carrying amount at 1 July	876 532	966 377
	Cost	2 256 440	1 757 226
	Accumulated Amortisation	(1 379 908)	(790 849)
	Accumulated Impairment		
	Acquisitions	479 293	499 214
	Amortisation	(740 998)	(589 060)
	Impairments	-	-
	Disposals	-	-
	Net Carrying amount at 30 June	614 827	876 532
	Cost	2 735 733	2 256 440
	Accumulated Amortisation	(2 120 906)	(1 379 908)
	Accumulated Impairment	-	-
	Balance previously reported		864 355
	Correction of error - Refer to note 39.5		12 177
			876 532

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2012 R	2011 R
Microsoft Office and Windows software	2	614 827	876 532

No intangible asset was assessed having an indefinite useful life. There are no internally generated intangible assets at reporting date. There are no intangible assets whose title is restricted. There are no intangible assets pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

16	CAPITALISED RESTORATION COST	2012 R	2011 R
	Net Carrying amount at 1 July	295 847	509 357
	Cost	3 808 867	3 477 091
	Accumulated Depreciation	(3 513 020)	(2 967 734)
	Accumulated Impairments	-	-
	Acquisitions / Additions	200 054	331 776
	Under Construction - Cost	-	-
	Disposals	-	-
	Depreciation for the year	(495 900)	(545 286)
	Impairment for the year	-	-
	Net Carrying amount at 30 June	0	295 847
	Cost	4 008 921	3 808 867
	Accumulated Depreciation	(4 008 921)	(3 513 020)
	Accumulated Impairments	-	-
	Balance previously reported		7 441
	Correction of error - Refer to note 39.6		48 914
			56 355

Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares. The listed shares represent 270 Sanlam Shares and Unlisted Shares represent 1028 KVV Shares and 10275 Capevin Shares held at fair value, available for sale.

The market value per share at year end: Sanlam Shares	35.75	27.56
The market value per share at year end: KVV Shares	10.27	10.50
The market value per share at year end: Capevin Shares	3.05	3.71

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18	LONG-TERM RECEIVABLES	2012 R	2011 R
	Provincial Government Housing Loans - At amortised cost	3 053 281	2 986 626
	Staff Study loans - At amortised cost	35 144	0
	Services connections - At amortised cost	697 492	625 683
	Land Sales - At amortised cost	626 775	1 499 319
	Short-term Installments	126 582	94 839
	Agreements with Consumer Debtors	9 742 612	9 748 583
		<u>14 281 886</u>	<u>14 955 051</u>
	Less: Current portion transferred to current receivables	<u>(2 167 412)</u>	<u>(1 209 421)</u>
		<u>12 114 474</u>	<u>13 745 629</u>
	Less: Provision for Impairment	<u>(10 325 857)</u>	<u>(11 247 903)</u>
	Total Long Term Receivables	<u>1 788 616</u>	<u>2 497 727</u>
	HOUSING LOANS		
	Balance previously reported		2 498 680
	Change in accounting policy - Refer to note 38.1		<u>(953)</u>
			<u>2 497 727</u>
	The Provincial Government Housing Loans are receivable from various customers. When tested for impairment; management determined; that none of the financial assets are individually significant therefore impairment was performed on a group basis.		
	SERVICES CONNECTIONS		
	The Services connections are receivable from various customers. When tested for impairment; management determined; that none of the financial assets are individually significant therefore impairment was performed on a group basis.		
	LAND SALES		
	The Land sales are receivable from various customers. When tested for impairment; management determined; that none of the financial assets are individually significant therefore impairment was performed on a group basis.		
	AGREEMENTS WITH CONSUMER DEBTORS		
	The agreements with consumer debtors are receivable from various customers. When tested for impairment; management determined; that none of the financial assets are individually significant therefore impairment was performed on a group basis.		
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	11 247 903	9 549 975
	Contribution to provision/(Reversal of provision)	1 042 013	2 508 391
	Bad Debts Written Off	<u>(1 964 059)</u>	<u>(810 463)</u>
	Balance at end of year	<u>10 325 857</u>	<u>11 247 903</u>
	Balance previously reported		11 246 950
	Change in accounting policy - Refer to note 38.1		<u>953</u>
			<u>11 247 903</u>
19	NON-CURRENT ASSETS HELD FOR SALE		
	Land and Buildings	<u>1 464 340</u>	<u>1 128 340</u>
		<u>1 464 340</u>	<u>1 128 340</u>
	Balance previously reported		559 340
	Correction of error - Refer to note 4C		<u>569 000</u>
			<u>1 128 340</u>
	The disposal group consists of residential and commercial sites throughout the entire Municipal area. It has been made available in public; the tender closed on the 08 June 2012.		
20	INVENTORY		
	Maintenance Materials - At cost	9 505 541	10 236 215
	Compost – at cost	58 840	61 575
	Water – at cost	<u>79 503</u>	<u>65 274</u>
	Total Inventory	<u>9 643 884</u>	<u>10 363 065</u>
	Balance previously reported		10 059 520
	Correction of error - Refer to note 39.7		<u>303 545</u>
			<u>10 363 065</u>
	Consumable stores materials written down due to damages as identified during the annual stores count:	<u>72 268</u>	
	Consumable stores materials surpluses identified during the annual stores count:	<u>69 249</u>	
	Inventory recognised as an expense during the year	<u>5 121 696</u>	
	Write down of inventory to the lower of Cost or Net Realisable Value	<u>112 182</u>	

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

21		2012 R	2011 R
	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	16 927 578	13 262 379
	Water	5 798 032	5 215 537
	Refuse	2 811 464	2 246 670
	Sewerage	3 580 952	2 844 033
	Housing Rentals	613 768	594 042
	Prepaid Expenses	10 942 943	8 132
	Other	1 624 799	1 280 505
	Total Receivables from Exchange Transactions	42 299 536	25 451 299
	Less: Provision for Impairment	(13 816 530)	(11 494 510)
	Total Net Receivables from Exchange Transactions	28 483 006	13 956 789
	Balance previously reported		17 075 591
	Change in accounting policy - Refer to note 38.1		(3 118 802)
			13 956 789
	Consumer Trade Receivables are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
	Ageing of Receivables from Exchange Transactions:		
	(Electricity): Ageing		
	Current (0 - 30 days)	14 032 090	11 068 919
	31 - 60 Days	471 116	654 999
	61 - 90 Days	347 838	232 866
	+ 90 Days	2 076 535	1 305 595
	Total	16 927 578	13 262 379
	(Water): Ageing		
	Current (0 - 30 days)	2 000 217	2 574 099
	31 - 60 Days	357 309	359 769
	61 - 90 Days	239 797	242 741
	+ 90 Days	3 200 710	2 038 929
	Total	5 798 032	5 215 537
	(Refuse): Ageing		
	Current (0 - 30 days)	861 268	801 377
	31 - 60 Days	124 113	121 645
	61 - 90 Days	103 420	94 174
	+ 90 Days	1 722 664	1 229 474
	Total	2 811 464	2 246 670
	(Sewerage): Ageing		
	Current (0 - 30 days)	1 061 194	975 403
	31 - 60 Days	157 498	155 861
	61 - 90 Days	131 726	118 821
	+ 90 Days	2 230 534	1 593 948
	Total	3 580 952	2 844 033
	(Other): Ageing		
	Current (0 - 30 days)	11 398 683	285 735
	31 - 60 Days	70 163	165 847
	61 - 90 Days	71 115	25 833
	+ 90 Days	1 641 547	1 405 263
	Total	13 181 509	1 882 679
	(Total): Ageing		
	Current (0 - 30 days)	29 353 451	15 705 534
	31 - 60 Days	1 180 198	1 458 120
	61 - 90 Days	893 897	714 435
	+ 90 Days	10 871 990	7 573 211
	Total	42 299 536	25 451 299
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	11 494 510	7 202 649
	Contribution to provision/(Reversal of provision)	3 086 194	4 291 861
	Bad Debts Written Off	(764 175)	-
	Balance at end of year	13 816 530	11 494 510
	Balance previously reported		8 375 708
	Change in accounting policy - Refer to note 38.1		3 118 802
			11 494 510

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	3 617 461	2 823 976
Water	3 582 573	3 377 466
Refuse	1 978 608	1 533 906
Sewerage	2 573 144	1 870 688
Other	2 064 745	1 888 474
	13 816 530	11 494 510

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2012 R	2011 R
	Rates	6 893 255	4 847 527
	Other Receivables	5 372 946	4 748 537
	Accrued Interest	728 854	885 505
	Availability charges	3 662 547	2 976 606
	Other	981 546	886 426
	Total Receivables from Non-Exchange Transactions	12 266 201	9 596 064
	Less: Provision for Impairment	(8 303 896)	(6 063 412)
	Total Net Receivables from Non-Exchange Transactions	3 962 306	3 532 652
	Balance previously reported		3 930 999
	Change in accounting policy - Refer to note 38.1		(398 347)
			3 532 652
<p>Trade Receivables with a total outstanding balance of R 9 742 612 (2011 - R 9 748 583) have arranged to settle their account over a re-negotiated period. The total value have been deferred beyond 12 months after year end and subsequently included as part of long term Trade Receivables.</p> <p>Refer to note 18 for balances deferred beyond 12 months from year end</p> <p>Ageing of Receivables from Non-Exchange Transactions:</p> <p>(Rates): Ageing</p>			
	Current (0 - 30 days)	2 239 915	1 545 618
	31 - 60 Days	198 918	148 313
	61 - 90 Days	180 236	166 267
	+ 90 Days	4 274 186	2 987 328
	Total	6 893 255	4 847 527
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	6 063 412	5 296 235
	Contribution to provision/(Reversal of provision)	894 948	1 561 950
	Bad Debts Written Off	1 345 536	(794 772)
	Balance at end of year	8 303 896	6 063 412
	Balance previously reported		5 665 065
	Change in accounting policy - Refer to note 38.1		398 347
			6 063 412
<p>Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.</p>			
23	OPERATING LEASE ARRANGEMENTS		
	The Municipality as Lessor (Asset)		
	Balance on 1 July	32 641	14 425
	Movement during the year	4 278	18 216
	Balance on 30 June	36 919	32 641
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
	Up to 1 Year	463 022	314 472
	1 to 5 Years	326 802	383 175
	More than 5 Years	-	-
	Total Operating Lease Arrangements	789 824	697 647
	Balance previously reported		31 109
	Correction of error - Refer to note 39.5		1 531
			32 641
<p>This lease income was determined from contracts that have a specific conditional income. It does not include lease income which has a undetermined conditional income.</p> <p>The leases are in respect of land and buildings being leased out for periods ranging until 2014.</p>			
24	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	70 000 000	70 000 000
	Bank Accounts	3 906 756	18 061 147
	Cash Floats	8 427	8 217
	Total Cash and Cash Equivalents - Assets	73 915 183	88 069 364
	Liabilities		
	Primary Bank Account	-	-
	Total Cash and Cash Equivalents - Liabilities	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 CASH AND CASH EQUIVALENTS (CONTINUE)

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The Municipality do not have a bank overdraft facility. Management did not deem it necessary.

The municipality has the following bank accounts:

Current Accounts

	2012 R	2011 R
Primary Bank account	3 904 456	18 058 847
Traffic bank account	2 300	2 300
	3 906 756	18 061 147

Traffic account is cleared daily to Primary Bank Account.

Primary Bank account Montagu ABSA - Account Number 1050 000 000

Cash book balance at beginning of year	18 058 847	2 273 224
Cash book balance at end of year	3 904 456	18 058 847

Bank statement balance at beginning of year	10 285 753	2 363 202
Bank statement balance at end of year	3 671 466	10 285 753

Traffic bank account Montagu ABSA - Account Number 406 272 8351

Cash book balance at beginning of year	2 300	850
Cash book balance at end of year	2 300	2 300

Bank statement balance at beginning of year	2 300	850
Bank statement balance at end of year	1 400	2 300

Call Investment Deposits

Call investment deposits consist of the following accounts

ABSA	Account Number 20 72488246	15 000 000	30 000 000
Investec	Account Number 458195	25 000 000	-
Nedbank	Account Number 03/7881034971/000000	-	20 000 000
Standard Bank	Account Number 288467698	30 000 000	20 000 000
		70 000 000	70 000 000

25 PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State	34 782 852	31 178 062
Less: Rebates	(6 833 202)	(7 351 494)
Total Assessment Rates	27 949 649	23 826 569

Valuations

Rateable Land and Buildings

Residential	4 265 248 464	2 362 445 000
Agricultural	4 865 388 010	2 382 662 130
Government	240 320 315	110 955 000
Business & Commercial	1 575 498 956	1 062 168 000
Municipal	394 976 614	196 163 100
Exempt Properties	195 108 304	25 172 000
Total Assessment Rates	11 536 540 663	6 139 565 230

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2011.

Rates:

Residential	0.0040c/R	0.0067c/R
Commercial, Industrial & Government	0.0059c/R	0.0102c/R
Public Benefit Organisations	0.0010c/R	0.0016c/R
Agricultural	0.0008c/R	0.0013c/R

Rates are levied annually and is payable by the 7th of October. Interest is levied at the prime rate on outstanding instalments. Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26	GOVERNMENT GRANTS AND SUBSIDIES	2012 R	2011 R
	Unconditional Grants	45 172 000	41 768 661
	Equitable Share	45 172 000	41 768 661
	Conditional Grants	30 813 029	39 238 485
	Grants and donations	1 288 090	1 782 475
	Subsidies	29 524 940	37 456 010
	Total Government Grants and Subsidies	75 985 029	81 007 146
	Government Grants and Subsidies - Capita	16 274 360	17 256 275
	Government Grants and Subsidies - Operating	59 710 669	63 750 871
		75 985 029	81 007 146
	Balance previously reported		83 311 893
	Correction of error - Refer to note 40.1		(2 304 747)
			81 007 146
	The municipality does not expect any significant changes to the level of grants		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	45 172 000	41 768 661
	Executive & Council	798 087	432 024
	Budget & Treasury	1 907 649	4 435 129
	Corporate Services	26 275	-
	Planning & Development	294	5 849 479
	Health	-	-
	Community & Social Services	9 332 368	797 136
	Housing	5 618 217	17 001 616
	Public Safety	-	-
	Sport & Recreation	-	-
	Environmental Protection	-	1 158 921
	Waste Management	3 749 719	275 979
	Waste Water Management	4 813 607	(405 404)
	Road Transport	187 000	82 000
	Water	3 816 950	7 749 430
	Electricity	562 862	1 862 174
		75 985 029	81 007 146
	The municipality does not expect any significant changes to the level of grants		
26.1	Equitable share		
	Opening balance	-	-
	Grants received	45 172 000	41 768 661
	Conditions met - Operating	(45 172 000)	(41 768 661)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury		
26.2	Local Government Financial Management Grant (FMG)		
	Opening balance	213 467	101 980
	Grants received	1 250 000	1 000 000
	Conditions met - Operating	(1 165 775)	(888 514)
	Conditions met - Capital	(297 692)	-
	Conditions still to be met	0	213 467
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
26.3	Municipal Systems Improvement Grant		
	Opening balance	75 945	394 471
	Grants received	790 000	750 000
	Conditions met - Operating	(604 550)	(1 068 526)
	Conditions met - Capital	(261 395)	-
	Conditions still to be met	0	75 945
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
26.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	2 430 636	2 473 947
	Grants received	15 149 000	7 745 000
	Conditions met - Operating	(2 060 014)	(1 032 480)
	Conditions met - Capital	(14 717 409)	(6 755 831)
	Conditions to be met	802 213	2 430 636
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
	Balance previously reported		(1 663 334)
	Correction of error - Refer to note 39.£		4 093 970
			2 430 636
26.5	Housing Grants		
	Opening balance	3 581 840	(9 165 865)
	Grants received	4 400 928	29 750 687
	Conditions met - Operating	(5 467 600)	(16 993 223)
	Conditions met - Capital	(200 432)	(9 760)
	Conditions to be met	2 314 736	3 581 840
	Balance previously reported		3 588 913
	Correction of error - Refer to note 39.£		(7 073)
			3 581 840
	Housing grants was utilised for the development of erven and the erection of top structures.		

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
26.6 Integrated National Electrification Grant		
Opening balance	(1 804 716)	(24 105)
Grants received	3 000 000	90 000
Conditions met - Operating	(47 730)	(229 724)
Conditions met - Capital	(515 132)	(1 640 887)
Conditions to be met	632 422	(1 804 716)
Balance previously reported		(2 807)
Correction of error - Refer to note 39.ε		(1 801 909)
		(1 804 716)
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
26.7 Other Grants		
Opening balance	(2 484 454)	5 638 106
Grants received	8 054 298	4 801 727
Conditions met - Operating	(5 193 000)	(2 624 282)
Conditions met - Capital	(282 300)	(10 300 006)
Conditions to be met	94 543	(2 484 454)
Balance previously reported		(199 466)
Correction of error - Refer to note 39.ε		(2 284 988)
		(2 484 454)
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
26.8 Total Grants		
Opening balance	548 793	259 358
Grants received	77 816 226	85 906 075
Conditions met - Operating	(59 710 669)	(65 459 948)
Conditions met - Capital	(16 274 360)	(20 156 693)
Conditions to be met	2 379 990	548 793
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	6 989 484	8 463 004
Unpaid Conditional Government Grants and Receipts	(0)	(3 304 716)
	6 989 484	5 158 288
Balance previously reported		2 012 717
Correction of error - Refer to note 39.ε		3 145 570
		5 158 288
27 SERVICE CHARGES		
Electricity	217 753 384	178 867 700
Water	24 484 285	27 288 868
Refuse removal	13 983 691	13 004 125
Sewerage and Sanitation Charges	17 881 722	16 617 737
	274 103 082	235 778 430
Less: Rebates	(20 980 914)	(18 029 264)
Total Service Charges	253 122 168	217 749 166
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forborne by way of rebate or remission		
28 OTHER INCOME		
Availability fees	2 619 815	2 258 027
Building plans	523 172	564 380
Bulk service levies	780 695	1 571 185
Cemeteries	250 786	227 886
Commission	145 698	122 159
Connection fees	1 721 884	1 605 316
Fair Value Adjustments	-	-
Fire brigade fees	36 543	58 767
Insurance claims	6 056 382	328 365
Photo copies	64 154	53 200
Planning application fees	140 897	327 841
Re-connection fees	183 972	374 006
Valuation certificates	101 312	49 510
Sundry income	3 341 356	3 223 652
Total Other Income	15 966 666	10 764 294
Balance previously reported		10 765 417
Correction of error - Refer to note 40.ε		(1 123)
		10 764 294
Sundry income represents sundry income such as cleaning of sites, private work and fees for items not included under service charges.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

29	EMPLOYEE RELATED COSTS	2012 R	2011 R
	Salaries and Wages	66 942 346	63 994 744
	Bonus	5 934 294	6 029 462
	Contributions for UIF, pensions and medical aids	16 157 460	15 546 693
	Group Life Insurance	364 990	363 904
	Housing Subsidy	548 585	531 535
	Leave Reserve Fund	2 138 835	726 390
	Long service awards	618 118	495 974
	Overtime	5 002 675	4 141 598
	Post Employment Health	1 821 938	1 412 935
	Travel, motor car, telephone, assistance and other allowances	8 852 879	8 355 218
		<u>108 382 119</u>	<u>101 598 452</u>
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	<u>108 382 119</u>	<u>101 598 452</u>
KEY MANAGEMENT PERSONNEL			
Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post employment or termination benefits payable to them at the end of the contract period.			
REMUNERATION OF KEY MANAGEMENT PERSONNEL			
Remuneration of the Municipal Manager: Mr M A Mokweni			
	Annual Remuneration	795 798	741 020
	Performance Bonuses	138 204	137 200
	Car Allowance	108 000	108 000
	Other Allowances	100 568	86 121
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	173 030	157 806
	Total	<u>1 315 599</u>	<u>1 230 147</u>
Remuneration of the Director Infrastructure Development : Mr J de K Jooste			
	Annual Remuneration	570 502	529 079
	Performance Bonuses	105 832	113 819
	Car Allowance	156 869	156 869
	Other Allowances	35 489	31 899
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	175 102	164 089
	Total	<u>1 043 794</u>	<u>995 755</u>
Remuneration of the Director Corporate Services: Mr A W J Everson			
	Annual Remuneration	613 115	567 672
	Performance Bonuses	105 832	113 819
	Car Allowance	131 568	131 568
	Other Allowances	63 160	59 060
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	141 169	131 280
	Total	<u>1 054 845</u>	<u>1 003 400</u>
Remuneration of the Director Financial Services: Mr C F Hoffman			
	Annual Remuneration	501 415	456 000
	Performance Bonuses	105 832	113 819
	Car Allowance	128 222	128 222
	Other Allowances	215 754	197 912
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	97 890	108 787
	Total	<u>1 049 115</u>	<u>1 004 740</u>
Remuneration of the Director Community Services: Mr M J Mhlom (01 July 2011 to 30 November 2011)			
	Annual Remuneration	340 590	538 425
	Performance Bonuses	79 374	113 819
	Car Allowance	77 711	133 219
	Other Allowances	159 730	108 451
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	70 739	114 737
	Total	<u>728 144</u>	<u>1 008 651</u>

LANEGERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
30 REMUNERATION OF COUNCILLORS		
Mayor	651 291	601 264
Deputy Mayor	404 776	483 782
Speaker	509 125	480 398
Mayoral Committee Members	1 744 967	978 175
Councillors	3 110 004	2 719 410
Total Councillors' Remuneration	6 420 162	5 263 028
<i>In-kind Benefits</i>		
The Executive Mayor, Mayoral committee members and the Speaker are full-time Councillors. The full time councillors are provided with secretarial support and an office at the cost of the Council.		
31 DEBT IMPAIRMENT		
Long term Receivables - Note 18	1 042 013	2 508 391
Trade Receivables from exchange transactions - Note 21	3 086 194	4 068 543
Trade Receivables from non-exchange transactions - Note 22	894 948	1 561 950
Total Contribution to Debt Impairment	5 023 155	8 138 883
Balance previously reported		4 974 645
Change in accounting policy and correction of errors - Refer to the following notes 3		3 164 238
		8 138 883
32 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	18 093 613	13 311 785
Capitalised Restoration Cost	495 900	545 286
Investment Property	50 869	5 829
Intangible Assets	740 998	589 060
	19 381 380	14 451 960
33 IMPAIRMENTS		
Property Plant & Equipment	3 770 043	-
34 FINANCE CHARGES		
Interest paid	47 229	36 418
Landfill site	162 021	154 891
Long service awards	353 695	342 126
Long-term Liabilities	3 802 812	4 831 655
Post Employment Health	2 690 651	2 554 745
Total finance charges	7 056 410	7 919 836
Balance previously reported		7 920 178
Correction of error - Refer to note 40.5		(343)
		7 919 836
35 BULK PURCHASES		
Electricity	157 532 199	125 827 700
Water	2 759 252	2 232 890
Total Bulk Purchases	160 291 452	128 060 590
36 GRANTS AND SUBSIDIES		
Destitute Grants	73 500	-
Total Grants and Subsidies	73 500	-
Operating grant expenditure per vote		
Executive & Council	-	-
Budget & Treasury	-	-
Corporate Services	-	-
Planning & Development	-	-
Health	-	-
Community & Social Services	-	-
Housing	-	-
Public Safety	-	-
Sport & Recreation	-	-
Environmental Protection	73 500	-
Waste Management	-	-
Waste Water Management	-	-
Road Transport	-	-
Water	-	-
Electricity	-	-
	73 500	-

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37	GENERAL EXPENSES	2012 R	2011 R
	Advertisement Cost	769 567	339 413
	Audit fees	1 709 875	1 530 065
	Bank charges	843 585	598 740
	Bursaries - Internal	119 593	244 881
	Cell phone	689 967	633 125
	Chemicals	4 785 407	3 408 871
	Computer services	1 123 312	1 355 668
	Connections	615 911	372 406
	Data lines	1 502 288	1 290 333
	Delegation Fees	284 810	168 310
	Development Projects	425 627	391 854
	Fuel	5 440 313	3 556 193
	Insurance (Premiums & Claims cost)	1 356 311	1 399 081
	IoD Insurance	1 059 328	1 085 281
	Membership fees	843 179	522 495
	Municipal Services Charges	10 025	22 018
	Postage	670 311	740 288
	Poverty Alleviation Projects	2 055 352	2 706 714
	Printing & Stationary	1 015 211	941 299
	Professional Services	1 212 738	1 585 741
	Protective Clothing	524 529	355 689
	Refuse bags	562 288	571 185
	Rehabilitation	753 775	494 086
	Skills Development Levy	934 656	895 688
	Subsidy New Electrical connections	-	-
	Tourism Marketing	817 591	743 454
	Training cost	862 348	729 281
	Transfer cost	162 894	331 488
	Valuation cost	475 346	1 453 685
	Other	4 106 285	3 174 754
	General Expenses	<u>35 732 422</u>	<u>31 642 086</u>
	Balance previously reported		31 432 311
	Correction of error - Refer to note 40.6		209 775
			<u>31 642 086</u>

38 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3

38.1 PROVISION FOR IMPAIRMENT

The municipality implemented GRAP 104 on Financial Instruments. Each individual financial asset was assessed for the recoverability thereof. The implementation was done retrospectively and restated for 30 June 2011. It was impracticable to do the retrospective application back to 01 July 2010 as required by GRAP due that the debtor reports run back dated to 30 June 2010 do not balance back to the debtor control accounts.

LONG TERM RECEIVABLES

Balance previously reported	2 498 680
Provision for impairment	(953)
	<u>2 497 727</u>

RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	17 075 591
Provision for impairment	(3 118 802)
	<u>13 956 789</u>

RECEIVABLES FROM NON-EXCHANGE TRANSACTION

Balance previously reported	3 930 999
Provision for impairment	(398 347)
	<u>3 532 652</u>

PROVISION FOR IMPAIRMENT ON LONG TERM RECEIVABLES

Balance previously reported	11 246 950
Contribution Debt Impairment	953
	<u>11 247 903</u>

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

PROVISION FOR IMPAIRMENT RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	8 375 708
Contribution Debt Impairment	3 118 802
	<u>11 494 510</u>

PROVISION FOR IMPAIRMENTRECEIVABLES FROM NON-EXCHANGE TRANSACTION

Balance previously reported	5 665 065
Contribution Debt Impairment	398 347
	<u>6 063 412</u>

DEBT IMPAIRMENT

Balance previously reported	4 974 645
Contribution Debt Impairment	(3 164 238)
	<u>1 810 407</u>

TAXES

Balance previously reported	3 903 591
Impairment VAT on Trade Receivables	(353 864)
	<u>3 549 728</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39 CORRECTION OF ERROR IN TERMS OF GRAP 3

39.1 NET ASSETS

Balance previously reported	29 207 935
Correction of Error 01 July 2010	(792 823)
Correction of Error 30 June 2011	17 111 380
	<u>45 526 492</u>

Correction of Balance on the Capital Replacement Reserve. In the previous year the full capital expenditure was reduced against the CRR instead of just the assets funded out of the CRR.

39.2 LONG-TERM LIABILITIES

Balance previously reported	37 327 237
Correction of loan balances - Refer to note 3	343
	<u>37 327 579</u>

Correcting interest allocation of loans effecting the long-term liabilities.

39.3 PAYABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	37 868 490
Shown as Payables from exchange transactions - Refer to note 9	456 940
	<u>38 325 430</u>

Liability raised in respect of payment to Compensation Fund

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39.4 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported	405 949 468
First time identification and measurement of assets 2009/2010	130 000
Transfer to Intangible Assets 2009/2010	(17 100)
Transfer to Intangible Assets Accumulated Depreciation 2010/2011	6 829
Transfer to Intangible Assets 2010/2011	(1 906)
First time identification and measurement of assets 2010/2011	1 027 000
Correction of error - Refer to note 13	<u>407 094 292</u>

39.5 INTANGIBLE ASSETS

Balance previously reported	864 355
First time identification and measurement of assets	12 177
Correction of error - Refer to note 15	<u>876 532</u>
First time identification and measurement of assets	

39.6 NON CURRENT INVESTMENTS

Balance previously reported	7 441
Correction of error - Refer to note 17	48 914
First time identification and recognition of KVV shares	<u>56 355</u>

39.7 INVENTORY

Balance previously reported	10 059 520
Correction of error - Refer to note 20	303 545
	<u>10 363 065</u>
First time identification and recognition inventory	

39.8 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Balance previously reported	6 450 286
Correction of error - Refer to note 10	(3 145 570)
	<u>3 304 716</u>
Overstatement of Grant money due to municipality	

39.9 OPERATING LEASE ASSET

Balance previously reported	31 109
Correction of error - Refer to note 23	1 531
	<u>32 641</u>
Correction on Balance	

40 NON CURRENT HELD FOR SALE

Balance previously reported	559 340
Correction of error - Refer to note 19	569 000
	<u>1 128 340</u>
First time identification and recognition of assets.	

40.1 TRANSFER REVENUE

Balance previously reported	83 311 893
Correction of error - Refer to note 26	(2 304 747)
	<u>81 007 146</u>
Revenue from National and Provincial Department incorrectly recorded and overstated.	

40.2 REVENUE FROM EXCHANGE TRANSACTIONS

RENTAL OF FACILITIES AND EQUIPMENT

Balance previously reported	1 568 990
Correction Operating Leases	(350)
	<u>1 568 640</u>
Revenue from National and Provincial Department incorrectly recorded and overstated.	

40.3 OTHER INCOME

Balance previously reported	10 765 417
Correction of error - Refer to note 28	(1 123)
	<u>10 764 294</u>
Correction on the Fair Value Price of the KVV Shares	

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

40.4 REPAIRS AND MAINTENANCE

Balance previously reported	10 543 421
Correction of error - Refer to note 39.7	(303 391)
	<u>10 240 030</u>
First time identification and recognition inventory	

40.5 FINANCE CHARGES

Balance previously reported	7 920 178
Correction of loan balances - Refer to note 3	(343)
	<u>7 919 836</u>
Correcting interest allocation of loans effecting the long-term liabilities.	

40.6 GENERAL EXPENSES

Balance previously reported	31 432 311
Correction of error - Refer to note 37	209 775
	<u>31 642 086</u>
Recognition accrual for Compensation Commissioner and Adjustment for Chemicals purchased which was not used in 2010/2011.	

40.7 FAIR VALUE ADJUSTMENTS

Balance previously reported	-
Correction of error - Refer to note Fair Value Adjustments	6 593
	<u>6 593</u>
Correction on the Fair Value Price of the KVV Shares	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

41	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2012	2011
		R	R
	Surplus/(Deficit) for the year	15 777 369	15 686 467
	Adjustments for:		
	Depreciation/Amortisation	19 381 381	14 451 960
	Loss on disposal of property, plant and equipment	49 613	1 569 504
	(Gains) on disposal of property, plant and equipment	-	(168 655)
	Impairment Loss	3 770 043	-
	Impairment (Reversals)	-	-
	Contributions to Non-Current Provisions	5 646 356	4 960 639
	Debt Impairment	3 059 097	7 551 739
	Actuarial Losses	3 069 592	1 336 500
	Actuarial (Gains)	-	-
	Unamortised discount	69 436	81 229
	Bad debt written-off	581 361	(794 772)
	Finance charges	(29 348)	470 806
	Operating lease income accrued	(4 278)	(18 216)
	Operating Surplus/(Deficit) before changes in working capital	51 370 621	45 127 202
	Changes in working capital	(25 014 282)	12 569 599
	Increase/(Decrease) in Payables from exchange transactions	(4 244 885)	9 914 300
	Increase/(Decrease) in Provisions	274 154	323 111
	Increase/(Decrease) in Employee benefits	(1 308 587)	(1 893 299)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 473 519)	(2 507 159)
	Increase/(Decrease) in Unspent Public Contributions	-	(172 677)
	Increase/(Decrease) in Taxes	(2 766 967)	1 110 517
	(Increase)/Decrease in Inventory	719 181	256 116
	(Increase)/Decrease in Receivables from exchange and non-exchange transactions	(19 518 375)	(1 867 398)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	3 304 716	7 406 088
	Cash generated/(absorbed) by operations	26 356 339	57 696 801
42	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 24	70 000 000	70 000 000
	Cash Floats - Note 24	8 427	8 217
	Bank - Note 24	3 906 756	18 061 147
	Total cash and cash equivalents	73 915 183	88 069 364
43	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 42	73 915 183	88 069 364
	Investments - Note 17	51 549	56 355
		73 966 732	88 125 720
	Less:	10 720 223	12 012 731
	Unspent Committed Conditional Grants - Note 10	6 989 484	8 463 004
	VAT - Note 12	3 730 739	3 549 728
	Resources available for working capital requirements	63 246 509	76 112 989
	Allocated to:		
	Capital Replacement Reserve	45 000 000	45 526 492
	Employee Benefits Reserve	12 742 613	12 230 515
	Non-Current Provisions Reserve	4 270 710	3 958 481
	Resources available for working capital requirements	1 233 186	14 397 501
44	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 3	38 533 273	41 667 271
	Used to finance property, plant and equipment - at cost	(38 533 273)	(41 667 271)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45 BUDGET COMPARISONS

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.1 Operational				
Revenue by source				
Property Rates	27 949 649	25 389 812	2 559 837	10%
Government Grants and Subsidies - Capital	16 274 360	-	16 274 360	100%
Government Grants and Subsidies - Operating	59 710 669	89 521 639	(29 810 970)	-33%
Public Contributions and Donations	120 000	350 000	(230 000)	-66%
Gain on Foreign Exchange Transaction	-	-	-	0%
Fines	1 835 260	3 037 163	(1 201 903)	-40%
Service Charges	253 122 168	263 468 173	(10 346 005)	-4%
Rental of Facilities and Equipment	1 658 546	1 508 131	150 415	10%
Interest Earned - external investments	5 042 189	7 970 000	(2 927 811)	-37%
Interest Earned - outstanding debtors	1 513 318	1 700 000	(186 682)	-11%
Licences and Permits	1 261 437	1 210 341	51 096	4%
Agency Services	1 814 479	1 100 000	714 479	65%
Other Income	15 966 666	10 997 649	4 969 017	45%
Unamortised Discount - Interest	52 658	-	52 658	100%
Gain on disposal of Property, Plant and Equipment	-	-	-	0%
	<u>386 321 399</u>	<u>406 252 908</u>	<u>(19 931 509)</u>	<u>0%</u>
Expenditure by nature				
Employee related costs	108 382 119	114 362 126	(5 980 007)	-5%
Remuneration of Councillors	6 420 162	6 430 336	(10 174)	0%
Debt Impairment	5 023 155	6 375 073	(1 351 918)	-21%
Depreciation and Amortisation	19 381 380	30 950 741	(11 569 361)	-37%
Collection costs	959 455	1 000 000	(40 545)	-4%
Impairments	3 770 043	-	3 770 043	100%
Repairs and Maintenance	11 920 235	12 655 849	(735 614)	-6%
Actuarial losses	3 069 592	-	3 069 592	100%
Unamortised Discount - Interest paid	122 093	-	122 093	100%
Finance Charges	7 056 410	8 573 197	(1 516 787)	-18%
Bulk Purchases	160 291 452	169 048 215	(8 756 763)	-5%
Contracted services	1 105 252	2 283 375	(1 178 123)	-52%
Grants and Subsidies	73 500	73 500	-	0%
Stock Adjustments	184 451	-	184 451	100%
Operating Grant Expenditure	6 997 889	14 751 704	(7 753 815)	-53%
General Expenses	35 732 422	38 265 032	(2 532 610)	-7%
Loss on disposal of Property, Plant and Equipment	49 613	800 000	(750 387)	-94%
Fair Value Adjustments	4 807	-	4 807	100%
	<u>370 544 030</u>	<u>405 569 148</u>	<u>(35 025 118)</u>	<u>-9%</u>
Net Surplus for the year	<u>15 777 369</u>	<u>683 760</u>	<u>15 093 609</u>	<u>2207%</u>

The budget amount above differs from the approved adjustment budget due to interdepartmental charges and Municipal services included as revenue in the approved budget.

The under realisation of Service charges is linked to the Municipal service charges and the change in the accounting treatment of subsidies to indigent households as income forgone.

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.2 Expenditure by Vote				
Community services	58 480 641	57 181 602	1 299 039	2%
Corporate services	11 701 874	13 302 242	(1 600 368)	-12%
Executive & Council	27 440 432	31 721 874	(4 281 442)	-13%
Finance	25 264 862	24 349 154	915 708	4%
Housing	8 537 254	23 514 621	(14 977 367)	-64%
Infrastructure Development	239 118 967	255 499 655	(16 380 688)	-6%
	<u>370 544 030</u>	<u>405 569 148</u>	<u>(35 025 118)</u>	<u>-9%</u>

45 BUDGET COMPARISONS (CONTINUE)

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
45.3 Capital expenditure by vote				
Community services	9 504 353	9 960 583	(456 230)	-5%
Corporate services	5 748 909	9 800 000	(4 051 091)	-41%
Executive & Council	2 969 674	3 203 016	(233 342)	-7%
Finance	1 554 085	1 260 000	294 085	23%
Housing	2 355 185	4 437 297	(2 082 112)	-47%
Infrastructure Development	16 530 896	23 078 581	(6 547 685)	-28%
	38 663 102	51 739 477	(13 076 375)	-25%

46 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	11 600 891	-
Unauthorised expenditure for the year - capital	294 085	-
Unauthorised expenditure for the year - operating	915 708	11 600 891
Written off by council	(11 600 891)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	1 209 794	11 600 891

Unauthorised expenditure on operating votes is mainly attributable to the actuarial loss on the employee benefits.
Unauthorised expenditure on the capital is mainly attributable the purchase of a back up tape library server.

Incident	Disciplinary steps/criminal proceedings
Over expenditure on approved operational and capital budget.	Report to Council

46.2 Fruitless and wasteful expenditure

None.

46.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	241 875	1 443 035
Irregular expenditure for the year	-	241 875
Written off by council	(241 875)	(1 443 035)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	241 875

Incident	Disciplinary steps/criminal proceedings
Ageement with Dr.J Rodegra in Foreign currency Sect 163 of MFMA	Report to Council
	-
	241 875

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46.4	<u>Material Losses</u>	2012	2011
	Water distribution losses		
	- Kilo litres disinfected/purified/purchased	7 948 000	7 628 220
	- Kilo litres lost during distribution	991 840	960 585
	- Percentage lost during distribution	12.48%	12.59%
	Electricity distribution losses		
	- Units purchased (Kwh)	298 939 914	298 185 654
	- Units lost during distribution (Kwh)	24 745 305	18 467 742
	- Percentage lost during distribution	8.28%	6.19%

47	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	2011 R
47.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	839 743	519 371
	Amount paid - current year	(839 743)	(519 371)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	-	-
47.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year audit fee	1 709 875	1 530 066
	External Audit - Auditor-General Audit Committee	1 689 436 20 439	1 179 319 350 747
	Amount paid - current year	(1 450 900)	(1 530 066)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	258 975	-
47.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	1 935 150	(2 598 286)
	Amounts received - current year	36 461 821	32 237 528
	Amounts received - previous years	(1 935 150)	2 598 286
	Amounts claimed - current year	(30 393 886)	(30 302 378)
	Closing balance - Receivable	6 067 935	1 935 150
	Vat in suspense due to cash basis of accounting		
	Input VAT	2 959 433	11 455
	Output VAT	(5 747 575)	(4 809 965)
	Receivable	(2 788 142)	(4 798 510)
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
47.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	13 535 950	10 668 228
	Amount paid - current year	(13 535 950)	(10 668 228)
	Balance unpaid (included in creditors)	-	-
47.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	15 262 717	14 614 534
	Amount paid - current year	(15 262 717)	(14 614 534)
	Balance unpaid (included in creditors)	-	-

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

47.6 Councillor's arrear consumer accounts - (MFMA 125 (1)(b))

The following Councillors had arrear accounts for more than 90 days as at 30 June:

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
DE KOKER, TS	-	10 963
CROUWCAMP, NP	-	21 424
HULL, DA (R R & P B HULL)	-	5 148
R JOHNSON	149	-
Total Councillor Arrear Consumer Accounts	149	37 535

47.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36 (1)(a) and (b)

	Amount	Single Supplier	Impossible	Impractical	Emergency
July	1 129 784	46	-	24	15
August	213 707	12	-	10	12
September	1 245 767	14	-	16	1
October	1 058 260	14	-	53	9
November	1 619 500	18	-	34	16
December	478 830	2	-	12	9
January	425 813	4	-	28	18
February	1 109 567	17	-	43	17
March	1 453 668	10	-	37	9
April	1 028 677	10	-	32	9
May	1 443 555	13	-	35	27
June	1 153 835	8	-	17	16
	<u>12 360 963</u>	<u>168</u>	<u>-</u>	<u>341</u>	<u>158</u>

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Liemens	L Liemens	Spouse	O. Liemenrs	Langeberg Municipality	R 63 280
Armature Winders Cc	M E van Jaarsveld	Child	ZF. van Jaarsveld	Department of Correctional Services	R 39 210
TMM Management	M J Mgoqi	Father/Mother	N. Mgoqi	Langeberg Municipality	R 11 820
Lumber Lawn	R Visser	Spouse	J. van Zyl	Western Cape Education Department	R 40 488
Annadale Motors	D Wagner	Spouse	E. Wagner	Langeberg Municipality	R 17 566

Regulation 45 - Details of awards made to persons who has been in the service of the State during the previous 12 months:

Name of supplier	Name of person in service of the state	Position occupied in company	Last day in service of the state	Employer and capacity of person	Value of transactions
Ismael Towing	Mr C Ismael	Owner		Councillor Breede Valley Municipality	R 3 135

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47.8 Other non-compliance (MFMA 125(2)(e))

Non-compliance to the Supply Chain Management Regulations were identified in terms of Regulation 44 as detailed below:

Name of supplier	Name of person in service of the state	Position occupied in company	Employer and capacity of person	Value of transactions
Nashua Mobile	D Mazibuko		National Department of Art and Culture	R 149 127

Other non-compliance issues were identified as detailed below:

Requirement	Relevant Legislation	Non-compliance
The Accounting Officer must submit by no later than 10 working days after the end of each month, to the Mayor and the relevant Provincial Treasury a statement on the state of the municipality's budget	MFMA Sec. 71(1)	The Section 71 reports for July 2011, August 2011 and September 2011 were not submitted on time.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48	CAPITAL COMMITMENTS	2012 R	2011 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	700 000	13 161 367
	Infrastructure	700 000	4 411 367
	Community	-	8 500 000
	Other	-	250 000
	Approved but not yet contracted for	49 012 040	70 400 017
	Infrastructure	41 157 040	54 012 949
	Community	0	2 100 000
	Other	7 855 000	14 287 068
	Total	49 712 040	83 561 384
	This expenditure will be financed from:		
	External Loans	-	-
	Capital Replacement Reserve	31 399 750	29 207 935
	Government Grants	18 312 290	51 003 449
	Other Grants	-	3 350 000
	Total	49 712 040	83 561 384

49 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality did engage in one foreign currency transaction. The risk is low due to the value of the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:	363 054	474 000
1% (2011 - 0.5%) Increase in interest rates	(181 527)	(237 000)
0.5% (2011 - 0.5%) Decrease in interest rates		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 FINANCIAL RISK MANAGEMENT (CONTINUE)

2012

2011

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade Trade Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these Trade Receivables. Credit risk pertaining to trade and other Trade Receivables is considered to be moderate due the diversified nature of Trade Receivables and immaterial nature of individual balances. In the case of consumer Trade Receivables the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of Trade Receivables whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual trade receivables into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Trade Receivables with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	3 962 306	100.00%	3 532 652
<u>Exchange Receivables</u>				
Electricity	40.02%	11 398 431	52%	7 272 722
Water	13.71%	3 904 189	20%	2 860 056
Refuse	6.65%	1 893 140	9%	1 232 011
Sewerage	8.47%	2 411 286	11%	1 559 589
Other	31.16%	8 875 960	7%	1 032 409
	100.00%	28 483 006	100.00%	13 956 789

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 21 and 22 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of Trade Receivables as follows:

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates and other receivables	100.00%	8 303 896	100.00%	6 063 412
<u>Exchange Receivables</u>				
Electricity	40.02%	5 529 148	52.11%	5 989 657
Water	13.71%	1 893 843	20.49%	2 355 481
Refuse	6.65%	918 324	8.83%	1 014 658
Sewerage	8.47%	1 169 666	11.17%	1 284 444
Other	31.16%	4 305 548.64	7.40%	850 270
	100.00%	13 816 530	100%	11 494 510

49 FINANCIAL RISK MANAGEMENT (CONTINUE)

	2012 %	2012 R	2011 %	2011 R
Bad debts written off per debtor class:				
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1 345 536	100.00%	(794 772)
<u>Exchange Receivables</u>				
Electricity	40.02%	(305 810)	52.11%	1 283 065
Water	13.71%	(104 746)	20.49%	504 576
Refuse	6.65%	(50 791)	8.83%	217 353
Sewerage	8.47%	(64 693)	11.17%	275 145
Other	31.16%	(238 134)	7.40%	182 139
	100.00%	(764 175)	100.00%	2 462 278

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectations of counter party default.

Long-term Receivables and Other Trade Receivables are individually evaluated annually at Balance Sheet date for impairment.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	3 956 028	3 707 148
Receivables from exchange transactions	28 483 006	13 956 789
Receivables from non-exchange transactions	5 372 946	4 748 537
Cash and Cash Equivalents	73 915 183	88 069 364
Non-Current Investments	51 549	56 355
Unpaid conditional grants and subsidies	0	3 304 716
	111 778 713	113 842 910

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	7 073 896	24 771 975	19 428 201	9 289 032
Capital repayments	3 481 455	12 371 075	13 633 003	9 063 319
Interest	3 592 441	12 400 900	5 795 198	225 713
Trade and Other Payables	30 501 299	-	-	-
Unspent conditional government grants and receipts	6 989 484	-	-	-
Cash and Cash Equivalents	-	-	-	-
	44 564 679	24 771 975	19 428 201	9 289 032

LANGEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49 FINANCIAL RISK MANAGEMENT (CONTINUE)

2011	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	7 048 330	25 985 734	27 338 957	7 433 179
Capital repayments	3 390 561	13 584 834	21 543 759	7 207 466
Interest	3 657 769	12 400 900	5 795 198	225 713
Trade and Other Payables	34 388 646	-	-	-
Unspent conditional government grants and receipts	8 463 004	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>49 899 979</u>	<u>25 985 734</u>	<u>27 338 957</u>	<u>7 433 179</u>

50 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

50.1 Financial Assets	Classification	2012 R	2011 R
Investments			
Fixed Deposits	Financial instruments at amortised cost	-	-
Long-term Receivables			
Provincial Government Housing Loans - At amortised cost		3 053 281	2 986 626
Staff Study loans - At amortised cost		35 144	0
Services connections - At amortised cost		697 492	625 683
Land Sales - At amortised cost		626 775	1 499 319
Short-term Installments		126 582	94 839
Agreements with Consumer Debtors		9 742 612	9 748 583
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	28 483 006	13 956 789
Receivables from non-exchange transactions	Financial instruments at amortised cost	5 372 946	4 748 537
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	0	3 304 716
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	70 000 000	70 000 000
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	3 906 756	18 061 147
Cash Floats and Advances	Financial instruments at amortised cost	8 427	8 217
		<u>122 053 021</u>	<u>125 034 457</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		122 053 021	125 034 457
At amortised cost		<u>122 053 021</u>	<u>125 034 457</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50	FINANCIAL INSTRUMENTS (CONTINUE)		2012	2011
50.2	Financial Liability	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	35 051 819	38 264 422
	Capitalised Lease Liability	Financial instruments at amortised cost	0	12 288
	Payables from exchange transactions			
	Trade Payables	Financial instruments at amortised cost	28 256 086	32 292 294
	Retentions and Guarantees	Financial instruments at amortised cost	534 524	716 310
	Sundry Deposits	Financial instruments at amortised cost	2 203 439	1 846 583
	Sundry Creditors	Financial instruments at amortised cost	41 773	249 769
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	6 989 484	8 463 004
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	3 469 166	3 326 410
	Capitalised Lease Liability	Financial instruments at amortised cost	12 288	64 151
			76 558 580	85 235 231
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		76 558 580	85 235 231
51	EVENTS AFTER THE REPORTING DATE			
	On the 7th of August 2012 the municipality suffered flood damage which caused damage to the Sewerage and Electricity Infrastructure.		1 584 364	
52	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
53	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
54	CONTINGENT LIABILITY			
	Claim against Council		-	1 392 236
	2012			
	There is a dispute between the Independent Municipal Allied Trade Union and the South African Local Government Association over the implementation of the TASK wage curve, which if the union is successful in the application will result in a back pay to employees. The matter is currently under review in the Labour Court.			
	The claim between the municipality and Yethu Projects (Pty) Ltd was settled in 2012 and the municipality paid the amount of R 663 736 (incl. VAT).			
	2011			
	The Municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if the claimant is successful in their action. The following is the estimate exposure:			
	Yethu Projects / Nurcha Finance Company		-	1 392 236
			-	1 392 236

The Municipality is defending the claim. The company is under liquidation. During the 2009/2010 year a dispute arose between the municipality and a contractor (Yethu Projects (Pty) Ltd) regarding non performance in terms of the contract for the construction of low cost houses. As a result of this dispute the contractor issued a final payment certificate for R909 919 (incl. VAT). The municipality conducted its own inspection of the construction project and determined that the actual amount outstanding was R663 736 (incl. VAT) and made payment to the contractor. This payment was rejected by the contractor and the cheque was returned to the municipality. In turn the contractor then lodged a claim for an amount of R2 091 894 plus interest thereon at prime plus 0.2% via its attorneys. The amount of R 663 736 (incl. VAT) is included as an amount payable from exchange transactions. The amount indicated is Management's estimated financial exposure.

The legal matters with regard to SALA and the Cape Joint Pension Fund was included as provisions last year and was adjusted with the interest exposure.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

CONTINGENT ASSET

2012

2011

On 13 June 2012 the municipality suffered losses and damage to property as a result of a public protest that was lead by the South African National Civics Organisation. The municipality instituted legal action against the South African National Civics Organisation. The value of the claim as at 30 June 2012 was R 5 524 971

5 524 970

55

RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

55.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 18 to the Annual Financial Statements

55.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

55.3 Other related party transactions

No purchases were made during the year where Councillors or staff have an interest.

<p style="text-align: center;">APPENDIX A - Unaudited LANGEBERG MUNICIPALITY SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012</p>											
EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Received during the period	Adjustments	Interest portion payable at period end	Redeemed or written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS											
DBSA	10.00%	10287/102	2016/03/31	127 772	-	127 772	-	3 108	2 611	20 300	106 975
DBSA	12.00%	10287/202	2015/09/30	19 012	-	19 012	-	552	455	3 306	15 609
DBSA	15.00%	10422/102	2018/03/31	599 870	-	599 870	-	21 625	19 765	51 216	546 795
DBSA	14.00%	10422/203	2018/09/30	357 170	-	357 170	-	12 046	11 086	28 355	327 855
DBSA	16.00%	11124/103	2019/06/30	1 358 769	-	1 358 769	-	-	-	92 693	1 266 076
DBSA	16.50%	11174/102	2018/12/31	458 411	-	458 411	-	-	-	34 307	424 104
DBSA	15.75%	11192/101	2018/12/31	3 886 080	-	3 886 080	-	-	-	299 017	3 587 063
DBSA (Loan Fund)	13.22%	11328/101	2014/06/30	31 551	-	31 551	-	-	-	9 195	22 357
DBSA (Public Debt Commissioner)	13.30%	12349/101	2012/12/31	119 788	-	119 788	-	-	-	77 266	42 522
DBSA (Public Debt Commissioner)	13.75%	12350/101	2014/06/30	334 897	-	334 897	-	-	-	97 069	237 828
DBSA (Loan Fund)	16.15%	12351/101	2011/06/30	-	-	-	-	-	-	-	-
DBSA (Loan Fund)	16.15%	12352/101	2011/06/30	-	-	-	-	-	-	-	-
DBSA	16.50%	13341/102	2019/12/31	3 218 047	-	3 218 047	-	-	-	192 872	3 025 175
DBSA	7.43%	13452/102	2020/06/30	1 035 557	-	1 035 557	-	-	-	115 062	920 495
DBSA	7.43%	13452/301	2019/12/31	1 316 099	-	1 316 099	-	-	-	154 835	1 161 264
DBSA	8.72%	13586/101	2020/12/31	441 841	-	441 841	-	-	-	46 510	395 331
DBSA	8.25%	13760/101	2020/12/31	2 010 770	-	2 010 770	-	-	-	211 660	1 799 110
DBSA	8.25%	99999/1	2024/12/31	863 765	-	863 765	-	-	-	63 983	799 783
Cogmanskloof Irrigation Board (C B R)			2017/07/31	37 686	-	37 686	-	-	-	-	37 686
Pensionfund	15.10%	E39	2012/12/31	324 920	-	324 920	-	-	-	-	324 920
ABSA Bank	15.25%	209/12	2012/12/31	8 265	-	8 265	-	-	-	5 304	2 961
DBSA	7.17%	102290/1	2027/03/31	25 040 560	-	25 040 560	-	439 761	413 828	1 537 550	23 477 077
Total Annuity Loans				41 590 831	-	41 590 831	-	477 093	447 745	3 040 499	38 520 985
LEASE LIABILITY											
MINOLTA	0	B211 - 4104488	31/12/2010	0	-	0	-	-	-	-	0
MINOLTA	0	B211 - 4104501	31/12/2010	0	-	0	-	-	-	-	0
MINOLTA	0	B211 - 4107719	31/08/2011	1 772	-	1 772	-	-	-	1 772	0
MINOLTA	0	B350 - 21219171	31/01/2012	8 301	-	8 301	-	-	-	8 301	-0
MINOLTA	0	B350 - 21216750	31/08/2011	2 913	-	2 913	-	-	-	2 913	-0
MINOLTA	0	B350 - 21216757	31/08/2011	2 913	-	2 913	-	-	-	2 913	-0
MINOLTA	0	B350 - 21216779	31/09/2011	4 357	-	4 357	-	-	-	4 357	0
MINOLTA	0	B350 - 21216775	31/08/2011	2 913	-	2 913	-	-	-	2 913	-0
MINOLTA	0	B350 - 21216816	31/08/2011	2 414	-	2 414	-	-	-	2 414	-0
MINOLTA	0	C253 - E041003232	31/10/2011	11 218	-	11 218	-	-	-	11 218	-0
MINOLTA	0	B920 - 57GL00831	31/08/2011	13 330	-	13 330	-	-	-	13 330	-0
NASHUA	0	V 4499204836	28/02/2013	7 249	-	7 249	-	-	-	4 204	3 045
NASHUA	0	V 4499204844	28/02/2013	7 249	-	7 249	-	-	-	4 204	3 045
NASHUA	0	L 6806360527	2010-2013	11 810	-	11 810	-	-	-	5 612	6 199
NASHUA	0	NC5330 - 3322715985	2012-2015	-	-	-	-	-	-	-	-
Total Lease Liabilities				76 440	-	76 440	-	-	-	64 151	12 288
TOTAL EXTERNAL LOANS				41 667 271	-	41 667 271	-	477 093	447 745	3 104 650	38 533 273

APPENDIX B - Unaudited
LANGEBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
18 000 705	(48 789 590)	(30 788 885)	Community services	29 065 463	(58 480 641)	(29 415 177)
1 593 609	(10 909 444)	(9 315 835)	Corporate services	1 028 557	(11 701 874)	(10 673 317)
7 861 730	(25 638 761)	(17 777 031)	Executive & Council	1 761 170	(27 440 432)	(25 679 262)
71 655 722	(22 697 245)	48 958 477	Finance	83 435 094	(25 264 862)	58 170 231
17 593 596	(21 300 575)	(3 706 979)	Housing	6 074 199	(8 537 254)	(2 463 055)
230 102 122	(201 785 403)	28 316 719	Infrastructure Development	264 956 916	(239 118 967)	25 837 949
346 807 484	(331 121 017)	15 686 467	Sub Total	386 321 399	(370 544 030)	15 777 369
-	-	-		-	-	-
346 807 484	(331 121 017)	15 686 467	Total	386 321 399	(370 544 030)	15 777 369

APPENDIX C - Unaudited
LANGE BERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
1 838 469	(25 826 710)	(23 988 241)	Executive & Council	2 155 667	(28 074 047)	(25 918 381)
71 655 722	(18 692 356)	52 963 365	Budget & Treasury	83 408 819	(21 106 167)	62 302 652
2 140 909	(15 858 817)	(13 717 907)	Corporate Services	1 274 244	(16 656 537)	(15 382 293)
6 944 783	(4 655 732)	2 289 051	Planning & Development	694 352	(4 719 124)	(4 024 773)
-	-	-	Health	-	-	-
1 426 718	(9 748 955)	(8 322 238)	Community & Social Services	9 920 281	(11 015 435)	(1 095 153)
17 593 596	(21 300 575)	(3 706 979)	Housing	6 074 199	(8 537 254)	(2 463 055)
5 193 335	(11 557 111)	(6 363 776)	Public Safety	5 002 074	(12 418 708)	(7 416 634)
154 929	(1 867 293)	(1 712 363)	Sport & Recreation	200 502	(2 221 522)	(2 021 020)
1 334 781	(11 212 571)	(9 877 790)	Environmental Protection	158 720	(13 405 112)	(13 246 393)
9 890 943	(14 403 660)	(4 512 718)	Waste Management	13 783 887	(19 419 865)	(5 635 978)
11 725 719	(11 848 074)	(122 354)	Waste Water Management	17 482 632	(11 149 742)	6 332 890
119 214	(12 625 107)	(12 505 893)	Road Transport	202 026	(14 618 717)	(14 416 690)
33 887 979	(23 919 244)	9 968 736	Water	28 730 337	(27 866 960)	863 377
182 900 388	(147 604 814)	35 295 574	Electricity	217 233 660	(179 334 841)	37 898 819
						-
346 807 484	(331 121 017)	15 686 467	Total	386 321 399	(370 544 030)	15 777 369

APPENDIX D - Unaudited
 LANGE BERG MUNICIPALITY
 DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
 Restated

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	30 JUNE 2011	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	30 JUNE 2011	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2012
R	R	R			R	R	R	R	R
<u>National Government Grants</u>									
MSIG	75 945	-	-	75 945	790 000	-	604 550	261 395	0
Zolani Taxi Rank	231 594	-	-	231 594	-	-	294	-	231 300
Masterplans	54 386	-	-	54 386	-	-	-	-	54 386
MIG	2 430 636	-	-	2 430 636	-	-	298 499	2 132 137	-0
Equitable Share	-	-	-	-	45 172 000	-	45 172 000	-	-
MIG	-4 093 970	405 404	3 688 566	-0	15 149 000	-	1 761 515	12 585 272	802 213
FMG	213 467	-	-	213 467	1 250 000	-	1 165 775	297 692	0
INEP	-2 807	-221 287	-1 580 622	-1 804 716	3 000 000	-	47 730	515 132	632 422
<u>Provincial Government Grants</u>									
Library services	-	-	-	-	4 885 407	-	4 603 107	282 300	-0
Main roads	-	-	-	-	187 000	-	187 000	-	-
Masakhane	353 117	-	-	353 117	-	-	-	-	353 117
Housing Consumer Education	289 005	-	-	289 005	-	-	-	-	289 005
Housing Emergency Grant	-21 874	2 686	19 187	-	-	-	-	-	-
Job creation	128 050	-	-	128 050	-	-	-	-	128 050
Social Development	-2 129 635	77 004	552 632	-1 500 000	1 500 000	-	-	-	-0
Housing Home Sanitation	167 671	-	-	167 671	-	-	-	-	167 671
Housing	17 903	-	-	17 903	-	-	-	-	17 903
Dept Water Affairs	140 000	-	-	140 000	-	-	-	-	140 000
Training	233 911	-	-	233 911	481 891	-	402 599	-	313 203
Housing	3 107 260	-	-	3 107 260	4 400 928	-	5 467 600	200 432	1 840 157
CDW	-48 000	48 000	-	-	-	-	-	-	-
Public Transport Infrastructure					1 000 000	-	-	-	1 000 000
<u>District Municipality Grants</u>									
ID Documents	33 260	-	-	33 260	-	-	-	-	33 260
Route 62 projects	37 377	-	-	37 377	-	-	-	-	37 377
PIMS	56 147	-	-	56 147	-	-	-	-	56 147
Pre-paid Watermeters	108 527	-	-	108 527	-	-	-	-	108 527
Ward Committees	150 000	-	-	150 000	-	-	-	-	150 000
PIMS	17 560	-	-	17 560	-	-	-	-	17 560
McGregor Dam	25 000	-	-	25 000	-	-	-	-	25 000
Bakery Project	218 371	-	-	218 371	-	-	-	-	218 371
Landfill site	332 400	-	-	332 400	-	-	-	-	332 400
Tarring of Streets	-154 000	18 912	135 088	-	-	-	-	-	-
Cleanest Town	41 416	-	-	41 416	-	-	-	-	41 416
Total	2 012 717	330 719	2 814 851	5 158 288	77 816 226	-	59 710 669	16 274 360	6 989 484